# Dart Industries Inc. Annual Report 1972

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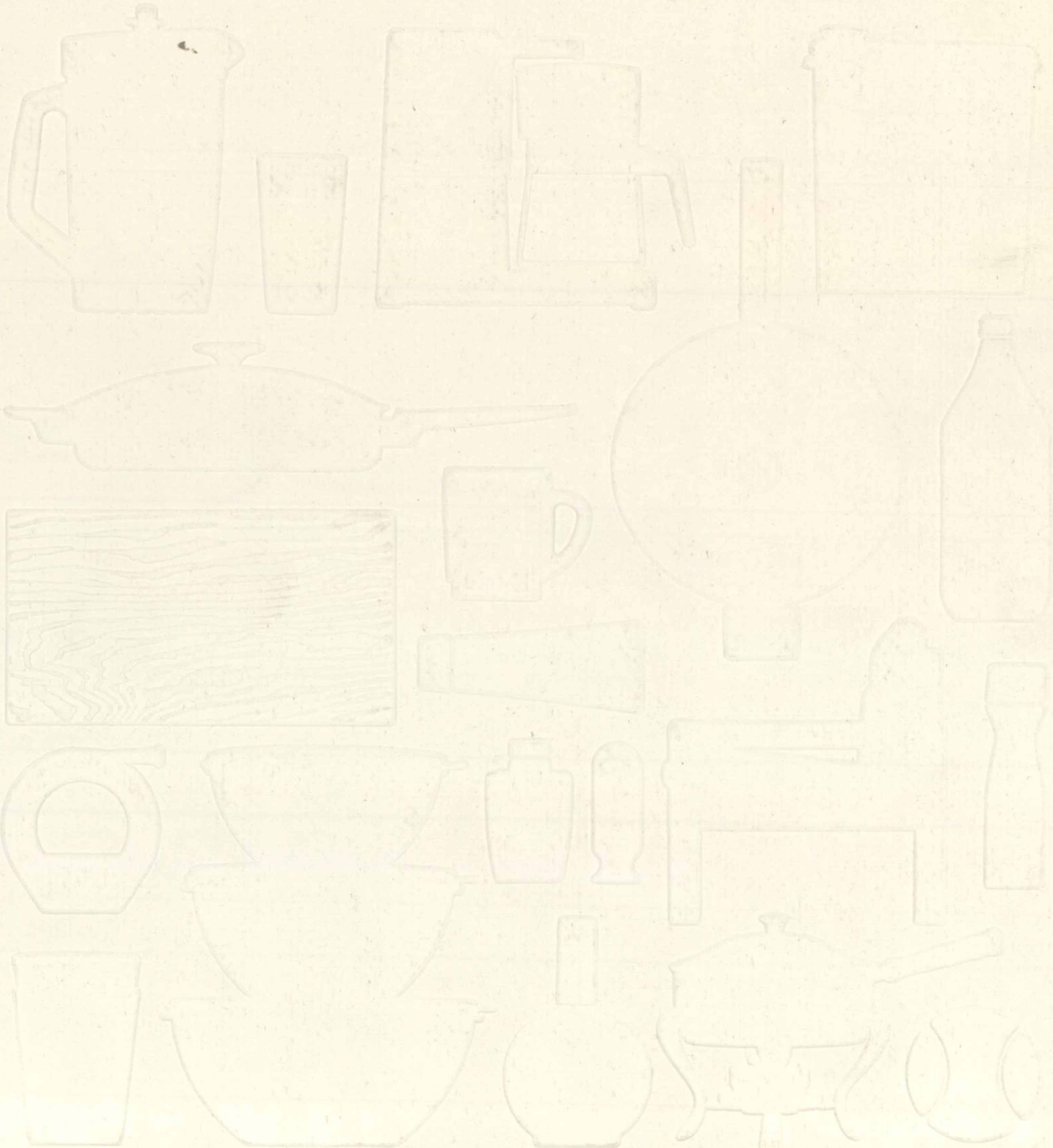

# Dart Industries Inc.
# Annual Report 1972

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## Annual Meeting

The Annual Meeting of Stockholders of Dart Industries Inc. will be held at 9 a.m. on Tuesday, April 24, 1973, at Corporate Headquarters, 8480 Beverly Boulevard, Los Angeles, California 90048

# The Year in Brief

| | *1972* | *1971†* |
|---|---|---|
| **Operations** | | |
| Net sales | $888,116,000 | $815,968,000 |
| Earnings before taxes and extraordinary items | 103,664,000 | 86,450,000 |
| Earnings before extraordinary items | 53,364,000 | 44,250,000 |
| Extraordinary items | 1,143,000 | |
| Net earnings | 54,507,000 | 44,250,000 |
| Earnings per share of Common Stock‡ | | |
| Including Common Stock equivalents | | |
| Before extraordinary items | 2.41 | 1.97* |
| Fully diluted | | |
| Before extraordinary items | 2.34 | 1.95* |
| **At Year-end** | | |
| Current assets | 436,917,000 | 367,826,000 |
| Current liabilities | 155,315,000 | 125,371,000 |
| Working capital | 281,602,000 | 242,455,000 |
| Long term debt | 204,613,000 | 135,755,000 |
| Stockholders' equity | 511,372,000 | 463,619,000 |
| Shares of Common Stock outstanding | 19,521,700 | 19,327,000* |
| Shares of Preferred Stock outstanding | 2,957,100 | 2,959,700 |
| **Dividends Per Share** | | |
| Common Stock | | |
| Cash | $ .30 | $ .29* |
| Stock | 3% | 3% |
| Preferred Stock | $2.00 | $2.00 |

*†Restated for poolings of interests and for a change in the method of accounting for land development operations.*

*‡Net earnings per share including Common Stock equivalents were $2.47 for 1972 and $1.97 for 1971; fully diluted net earnings per share were $2.39 and $1.95 for 1972 and 1971.*

**Adjusted for 3% Common Stock dividend issued in March 1972.*

**SALES AND PRETAX EARNINGS BY LINES OF BUSINESS**

*The earnings presented below are before deduction of certain corporate expenses, interest expense, except for land development obligations, and income taxes; and before addition of certain other income. International operations are included.*

The net extraordinary gain, resulting from gain on sale of common stock of 3M Company less an extraordinary charge resulting from closing down, liquidating, selling or consolidating certain operations, is excluded.

| *(in millions)* | *1972* | | *1971** | |
|---|---|---|---|---|
| | *Sales* | *Earnings* | *Sales* | *Earnings* |
| Direct Selling | $223 | $ 54.3 | $187 | $ 43.6 |
| Consumer Products | 146 | 20.4 | 128 | 17.0 |
| Chemicals and Plastics | 269 | 32.7 | 231 | 27.1 |
| Glass Containers | 125 | 17.0 | 120 | 23.1 |
| Land Development | 23 | .3 | 30 | (1.2) |
| Rexall Drug and Retail | 102 | 2.2 | 120 | 1.6 |
| Total | $888 | $126.9 | $816 | $111.2 |

**Restated for poolings of interests and for a change in the method of accounting for land development operations.*

# To the Stockholders:

### 1972—A RECORD YEAR

Earnings from operations per share of Common Stock for 1972 set an all-time record for the Company and were $2.41 compared with $1.97 in 1971. This does not include an extraordinary gain of 6¢ per share in 1972. It does include the effect of the new accounting principles applicable to the entire retail land sales industry, which were announced by the American Institute of Certified Public Accountants in January 1973 and were applied to 1972 and prior years' financial statements. Except for these mandatory current and retroactive changes, earnings per share from operations in 1972 would have been $2.47 compared with $2.17 in 1971. In effect, a total of 26¢ of earnings from land sales have been deferred from 1971 and 1972 to future years.

Earnings growth came from improvement in direct selling, consumer products, chemical and plastic operations and included increased earnings from international sales, and from the investment tax credit which added 9¢ per share in 1972 compared with 3¢ in 1971. These gains more than made up for the decline in earnings from glass container operations.

Earnings before the extraordinary items were $53.4 million compared with $44.3 million in 1971. In addition, the extraordinary gain in 1972 amounted to $1.1 million. The retail land accounting changes previously referred to deferred a total of approximately $5 million in net earnings from 1971 and 1972 to future years.

Sales in 1972 were a record $888 million, 9% ahead of 1971. The elimination of the Liggett agency division during the second quarter and the sale of 50 Liggett drug stores in August reduced 1972 sales by approximately $10 million, but operating earnings were affected minimally.

Pretax margins on worldwide sales were 11.7% in 1972 compared with 10.6% in 1971. Return (after tax) on Stockholders' equity increased to 10.4% from 9.5% in 1971.

### EXTRAORDINARY GAIN

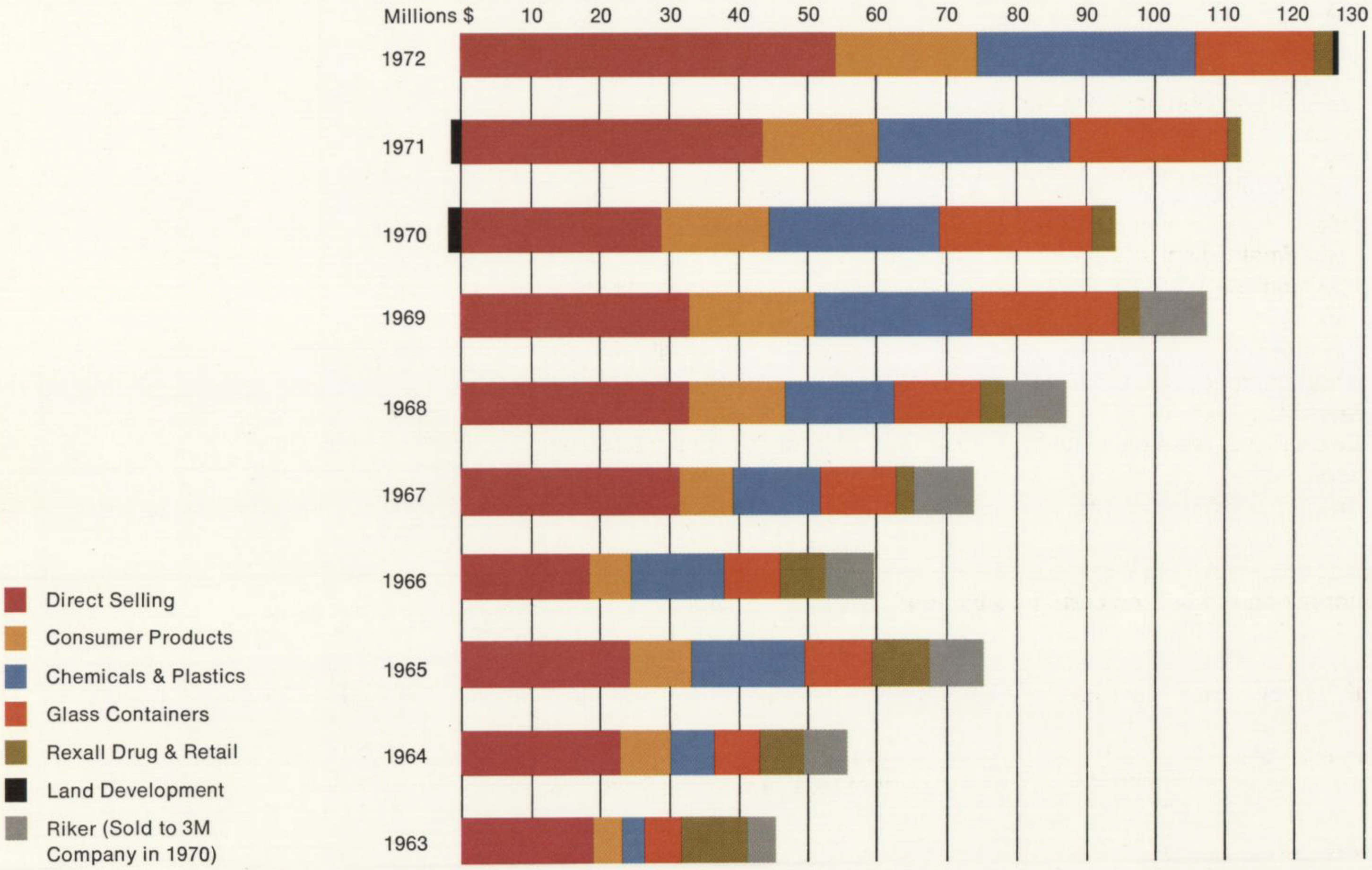
The Company received $38.1 million from the sale of 539,200 shares (after a 2-for-1 split) of Minnesota Mining and Manufacturing Company (3M) common stock. This resulted in an extraordinary gain of $10.1 million after income tax provision of $5.5 million. Offsetting this gain was an extraordinary charge of $9 million after reduction for income taxes of $9.7 million. The charge related to the discontinuance, liquidation or sale of certain of the operations and stores of the Rexall Drug and Retail Group, including the Liggett agency division, and to the closing, liquidating or consolidating of certain other operations and plants. A net extraordinary gain of $1.1 million resulted for the year. As stated above, this was not included in net operating earnings.

### INTERNATIONAL OPERATIONS

Of the total sales of the operating groups as shown in the Lines of Business table (page 2), $161 million or 18.1% came from operations outside the United States, an increase of 30.2% over 1971. Net earnings from international sales were 24.6% of total net earnings before extraordinary items, or $13.1 million, an increase of 53% over 1971.

## 10 YEARS OF GROWTH

The graph below, which charts the Company's growth for the past 10 years, shows operating earnings by the principal lines of business and illustrates how the emphasis of our operations has changed. The most substantial growth has occurred in the groups directly related to the consumer. Earnings contributions in these groups (Direct Selling plus Consumer Products) have grown from a little more than $23 million in 1963 to $75 million in 1972. Concurrently, earnings from chemicals, plastics, and glass containers operations—which in the past decade were either started as new business ventures or were acquired—grew from $9 million to $50 million and have given added dimensions to the Company's growth potential. We believe our current business mix provides a very sound basis for continued growth.



The earnings presented above are before deduction of certain corporate expenses, interest expense and income taxes, and exclude certain other income. International operations are included. Amounts after 1968 have been restated to reflect a change in accounting for land development operations.

## SALE OF DRUG STORES

Fifty Company-owned Liggett drug stores were sold in August for approximately $10 million in cash. Following the close of 1972, we arranged to sell 12 Company-owned Drug King stores in California and Oregon for approximately $3 million to purchasers who are forming a new drug chain.

## DIRECT SELLING

Direct Selling Group sales increased 19.3% over 1971 and operating earnings increased 24.5%. Contributing to that improvement was another excellent accomplishment by the Tupperware organization and continued progress at Vanda Beauty Counselor, our direct selling cosmetics division, losses of which were reduced for the second straight year. We expect further improvements from both Tupperware and Vanda operations in 1973.

## LAND DEVELOPMENT

The Company is a defendant in two class action suits, one involving Bear Valley Springs, a wholly-owned project located about 2½ hours driving time north of Los Angeles, and the other involving two projects in Northern California—Alta Sierra and Prosser Lakeview Estates—in which the Company has a minority equity interest.

We believe the substance of both complaints to be in error and we will defend the suits vigorously. In the opinion of management and legal counsel, the ultimate disposition of these actions will not have a materially adverse effect on the Company's financial position or results of operations.

## DIVIDENDS

Dividends on the Common Stock for 1972 were 30¢ per share, plus a 3% stock dividend. A 3% dividend on the Common Stock has been declared for payment in March 1973, the fifteenth consecutive year in which the stock dividend has been distributed. Semi-annual dividends totaling $2.00 per share were paid on the Series A $2.00 Cumulative Convertible Preferred Stock.

## FINANCIAL CONDITION

Cash and marketable securities at year-end amounted to $157 million.

In June, The 3M Company effected a 2-for-1 split of its common stock, increasing the shares then held by your Company to approximately 949,000.

In July, a $60 million, 25-year debenture issue was completed in the United States with interest at 4¼%. The issue is exchangeable into 10.75 shares of 3M common stock for each $1,000 debenture, equivalent to $93 per share.

Overseas, in August, a $20 million, 15-year debenture issue was sold with interest at 4¾%. The issue is exchangeable into 10.10 shares of 3M common stock for each $1,000 debenture, equivalent to a price of $99 per 3M share.

As of December 31, 1972, the Company owned and was receiving regular cash dividends on approximately 939,000 shares of 3M common stock. Of this total, 847,000 shares are subject to exchange upon surrender of the debentures described above.

These debenture issues offered your Company three substantial benefits: (1) they provided for the eventual exchange of the debentures at a price above the market price of 3M stock at the time of the offerings (15% for the domestic issue, 18.38% for the overseas); exchange prices remain substantially higher than the current market price of 3M common stock; (2) the average interest cost after considering the current rate of dividend on 3M stock is only 2.6% pretax; and (3) the overseas issue provided additional funds to support growth of overseas operations on a basis consistent with continued United States government limitations on foreign investment.

In view of these advantageous borrowings, the Company's debt to equity ratio increased to 40% compared with 29% at the end of 1971. The ratio of current assets to current liabilities at year-end was 2.8:1 compared with 2.9:1 at the end of 1971.

Over a period of time, the Company expects to employ its substantial cash resources in its operating businesses. In the interim, a program has been initiated to invest a portion of the available cash in marketable securities. As of year-end, the Company's portfolio of $40,363,000 in high-grade utility and industrial issues was yielding an average of 7.3% before taxes.

## CAPITAL EXPENDITURES

In 1972, $61 million was invested in capital improvements and replacements. For 1973 it is estimated that $80 million will be invested.

The provision for depreciation and amortization in 1972 was $34.3 million. Domestic investment tax credits of $1.7 million were applied to reduce the provision for taxes. For 1971, the investment tax credit was $530,000.

## BOARD OF DIRECTORS

During 1972, Gen. Elwood R. Quesada (USAF Retired), Dr. Jacob W. Stutzman and Dr. Ralph Wilson, Jr., became members of your Board of Directors.

Gen. Quesada is chairman and president of L'Enfant Plaza Corporations, an office center development in Washington, D.C. He rose from private to lieutenant general during a distinguished 27-year career in the Air Force, and served as the first administrator of the Federal Aviation Agency.

The election of Dr. Stutzman to the Board was in many respects a homecoming. Currently president of Riker Laboratories, a subsidiary of The 3M Company, Dr. Stutzman previously served on your Board from 1967 to 1970.

Dr. Wilson, who is president of the Architectural Products division, was elected to the Board following the death in January 1972 of Ralph Wilson, Sr., who had been a Board member since 1965 when the company he founded, Ralph Wilson Plastics, merged into Dart Industries.

## MANAGEMENT ORGANIZATION

Franklin B. Pollock, vice chairman of your Board of Directors since 1966 and chairman of the Glass Containers Group, will retire May 31, 1973, as an employee of the Company after a distinguished career of 43 years. However, his valuable judgment will continue to be available to us as a member of the Board. He has been universally recognized as one of the most knowledgeable of the senior executives in the glass container industry. When he was elected president of Thatcher Glass in 1942, it had sales of approximately $9 million, 7% of its present size. Thatcher, which merged with the Company in 1966, now operates seven manufacturing plants and continues as one of

Franklin B. Pollock,
Vice Chairman of the Board

the leading glass container producers, a tribute to his foresight and ability.

We consider it an honor to be able, through this Annual Report, to congratulate Mr. Pollock publicly on a remarkable career, and to thank him for his outstanding service to Thatcher Glass and to your Company.

George J. Daly, executive vice president, finance and administration, has been assigned responsibility for directing land operations.

Donald H. Brewer, senior vice president and assistant to the president, has been assigned temporarily responsibility for direction of the corporate staff.

R. D. Ziegler resigned as president of the Consumer Products Group effective at year-end 1972 to become president of The Ziegler Company in West Bend, Wisconsin. The Ziegler Company, in which he and his family have a substantial financial interest, had lost its president earlier in the year in an airplane tragedy. Mr. Ziegler will continue as a member of your Board of Directors. Joseph J. Keenan, president of the West Bend division of the Consumer Products Group, succeeded Ziegler as group president. Mr. Keenan has been in management positions in several divisions of the group since 1965.

Thomas M. Mullen, treasurer, and Norman Wicks, group vice president for corporate communications, were elected vice presidents of the Company in July 1972.

**F. THATCHER LANE**

We were saddened by the death in August 1972 of F. Thatcher Lane, who had been a director of your Company from 1942 to 1970 and since then had been an honorary director. Mr. Lane joined the Seamless division in 1919 and served as its president from 1933 to 1953. As a director, he provided guidance and counsel that were particularly valuable during the years following World War II when the Company was diversifying into new areas.

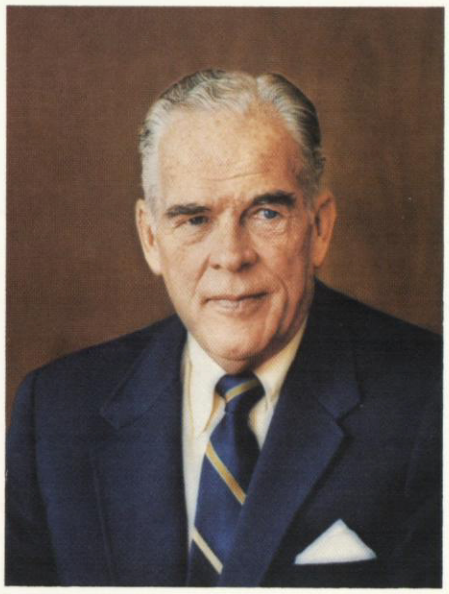
**FORECAST**

At the present time, we see 1973 setting another all-time earnings record for the Company. The outlook for first quarter operations tends to support this expectation.

Justin Dart

March 5, 1973

Justin Dart,
Chairman, President and Chief Executive Officer



Justin Dart

## Direct Selling Group

*Tupperware* products are designed to make food preparation, storage and serving more efficient and enjoyable. Below, *Servalier* bowl set featuring *Quick-As-A-Wink* seal.

Hamer F. Wilson, Executive Vice President; Chairman and Chief Executive Officer, Direct Selling Group

### TUPPERWARE DIVISION CONTINUES GROWTH

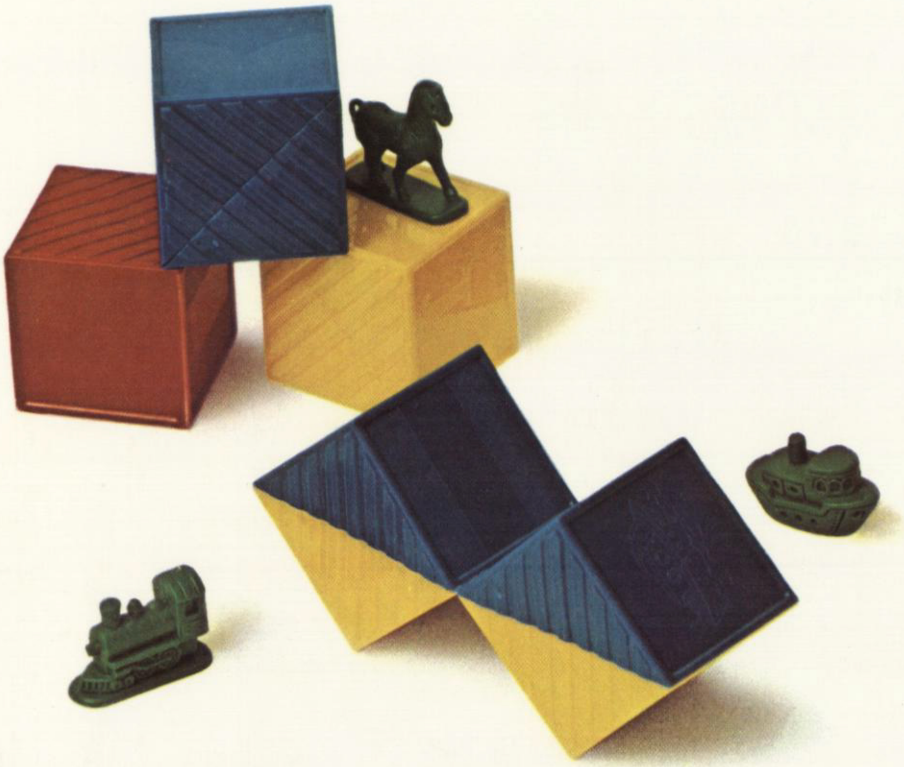
*Tupperware* containers are used for food preparation, storage, and serving. They are sold in over 30 countries by independent distributors and by dealers directly to customers in the home.

While sales in all areas of the world showed increases over 1971, the progress made in 1972 by operations outside the United States is worthy of special note. Current prospects overseas, and the momentum of an enthusiastic distributor, unit manager and dealer force, have enabled the division to embark on an expansion program designed to serve the overseas market even more effectively and to pave the way for continued growth.

Plans are being implemented to add new injection-molding machines for the manufacture of *Tupperware* products in 6 of the 10 overseas plants. Production capacity in the European Common Mar-

*Tupperware* products include, from upper left, bread keeper, new *Measuremate* dispenser for instant beverage mixes, *Crisp-It* lettuce keeper, a selection of food storage containers with new *Econo*-Saver in foreground, and *Decorator* Beverage Set with pitcher and matching tumblers.

Among *Tupperware* products are, above, large *Fix-N-Mix* bowl with *Tablemates* salt and pepper shakers, new one-quart beverage container alongside cereal storer. Below are *Busy Blocks*, recent addition to Tupperware's popular toy line.



ket will be further augmented when a new plant in France becomes operational in mid-1973. Sales activity will commence in New Zealand in mid-1973 after a new plant now being built in that country goes into production. In Brazil, exploratory studies have been completed and the required applications have been filed preparatory to initiating both sales and manufacturing operations in that country.

In the United States, the new plant at Jerome, Idaho, began production in November 1972, joining the plants at Woonsocket, Rhode Island, and Halls, Tennessee, as the sources of *Tupperware* products in the United States. Projections of continued growth have made it clear that further expansion is required, and the Board of Directors recently approved an addition which will double production capacity at the Jerome site. The additional capacity will be in full production by the fall of 1973.

### PROGRESS IN VANDA BEAUTY COUNSELOR

The division sells cosmetics and toiletries, principally of its own formulation, package design and manufacture, directly in the home. Sales in the United States, Canada, Mexico, United Kingdom, France, Italy, Middle East, South Africa and Australia are supported by manufacturing in six countries.

Progress has been made toward more effective operations in a num-

Vanda
HERBAL SEA ESSENCE
Vanda
HERBAL FRICTION LOTION
Vanda
HERBAL BATH MOISTURIZER
NET WT. 10 OZ.
8 FL. OZ.
8 FL. OZ.

Complexa
Complexa
Complexa

Cosmetics by Vanda Beauty Counselor appeal to a wide range of consumer tastes, and include *Resplenda* and Basic Skin Care items shown below, plus the *Complexa* line for younger women, *Herbal* lotions and moisturizers for the bath, and eye make up.

BEAUTY COUNSELOR
COUNSELOR
ASTRINGENT
6 FL. OZ.
LUBRICATING FORMULA
FL. OZ.
BEAUTY COUNSELOR
CLEANSING CREAM
NET WT. 5.5 OZ

ber of countries. Losses which peaked during 1970 were further reduced in 1972. Concurrently, 1972 sales showed a good increase over 1971 figures.

Of the four countries which account for about 75% of the division's sales, three of them (United States, United Kingdom, France) showed improved results over 1971. The fourth, Italy, did not experience an improvement. This was the result of a lower than planned sales increase combined with the negative impact of government-mandated wage raises and increased costs caused by postal strikes.

Operations improvement has been the result of increased effectiveness of organization, planning, product development and inventory control. Efforts along these lines are being continued and should result in further growth during 1973.

*Vanda Beauty Counselor* products include *Vanda Panda* soap and floating soap dish for children, daily needs items for the whole family, *Suspense* fragrance in cologne mist and bath oil mist, lipsticks in popular color shades, and (lower left) *Vivo* shaving set for men.

vanda panda
SOAP

ANTI PERSPIRANT

BATH OIL MIST
Suspense

Selection of *Vanda Beauty Counselor* products for European markets are offered in their own unique packaging.

Vanda
VIVO
TALC
NET WT. 2½ OZ.
Vanda Beauty Counselor, Dist.
Div. of Dart Industries Inc.
Los Angeles, Calif. 90030
Vanda

# Consumer Products Group

Joseph J. Keenan, President and Chief Executive Officer, Consumer Products Group

Earnings for the Consumer Products Group substantially exceeded 1971 results, as sales benefited from the pickup in consumer spending.

**SPECIALTY SALES STRONGER**

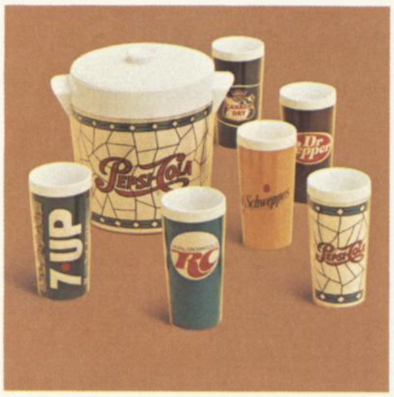
In the West Bend division, both specialty and regular cookware had increases in sales and earnings with the specialty cookware division, which sells to customers in the home, showing particularly strong improvement. The housewares division gained from a trend toward higher-priced cookware and the introduction of new products.

West Bend continued its emphasis on products that are responsive to consumer demands by introducing early in 1973 a new *"Lazy Day" Slo-Cooker,* a unique drip coffee maker, and a line of highly-decorative aluminum cookware. This new line complements the *Laureleaf* pattern of serving pieces first marketed by Thermo-Serv, thus providing the homemaker with a coordinated range of cookware and serving ware.

Heading up new products recently introduced by West Bend is the *QuikDrip* 8-cup automatic drip coffee maker.

WEST BEND
QuikDrip
AUTOMATIC COFFEEMAKER

*Laureleaf* cookware by West Bend (below) complements similar pattern in ice bucket, tumblers and other serving pieces introduced by Thermo-Serv (left). On facing page, from top to bottom, products include *"Lazy Day" Slo-Cooker* by West Bend; Miracle Maid *Lektro Maid* skillet and serving tray by West Bend's Specialty Sales division; *Thermo-Serv* ice bucket and tumblers used as premiums; *Nappe-Smith* bags and outing kits; chafing dish, ice bucket and tumblers by Coppercraft Guild.



## FURNITURE LINE INTRODUCED

The Syroco division, in a record year, followed the marketing of its successful Parsons tables with the introduction of a highly-styled line of casual furniture. Manufactured of tough ABS plastic and featuring cushions from Babcock-Phillips in a variety of colors and patterns, the new line includes seating pieces, occasional furniture and specialty items. It is usable both indoors and outdoors. The furniture was introduced at trade shows throughout the country late in 1972 where it brought an encouraging number of buying commitments from retailers. Sales of Syroco wall accessories also continued strong during the year.

## OTHER OPERATIONS IMPROVED

Thermo-Serv also showed substantial improvement across all lines of its insulated drinking and serving ware. Insulated drinking containers and decorated ice buckets were strong sales gainers among retail lines, as were custom-decorated products used as premiums.

Coppercraft Guild, which markets copper giftware and decorative items direct to consumers through private showings in the home, continued its excellent growth pattern. Improvement resulted from effective recruiting of independent sales representatives, higher sales per showing and new product introductions.

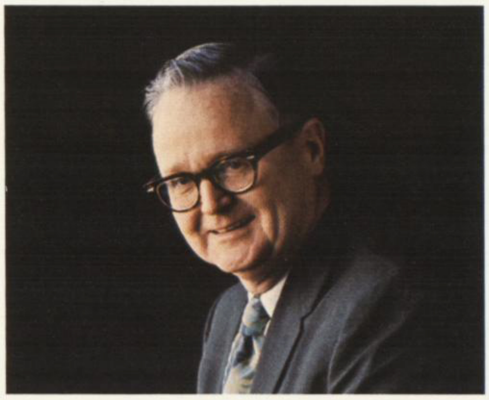
Babcock-Phillips, which manufactures hassocks and cushions, began to show better results during

Syroco has introduced a line of highly-styled casual furniture. Fabricated from tough ABS plastic, these modular tables and seating pieces are ideal for both indoor and outdoor use. Colorful cushions are by Babcock-Phillips.

the latter part of 1972 after a relatively slow start. Nappe-Smith experienced a continued strong demand for its quality insulated bags.

The Canadian operations of the group—West Bend of Canada and Syroco-Canada—showed good progress during the year. Coppercraft of Canada was organized and made gratifying progress in its first complete year of operation.

# Chemical and Plastics Groups



Ralph M. Knight, President and
Chief Executive Officer, Chemical Group

Chemical operations in 1972 improved strongly over 1971 through the achievement of a better product mix in a rising economy.

**POLYMERS DEMAND UP**

Joint operations with El Paso Products Company improved over 1971 despite the competitive pressures which depressed low-density polyethylene earnings. A price increase in September 1972 aids prospects for this product line in 1973.

Polypropylene showed substantial improvement in 1972. In view of good demand and higher values for this resin, a new production line was brought on stream in mid-1971, which increased total annual capacity to 130 million pounds. This was effectively sold out in 1972.

Divisions of the Chemical Group produce plastic raw materials and specialty chemicals that are utilized in the manufacture of a broad variety of consumer products and packaging.

Plastic raw materials from Rexene Polymers are used to manufacture such consumer products as film wrap for bread and produce, egg cartons and vegetable baskets, and indoor-outdoor carpeting (upper left). Fiberfil's glass reinforced thermoplastics (lower photo) go into parts for automobiles and appliances. Synthetic Products Company provides stearates and stabilizers for the manufacture of products such as vinyl floor tile (upper right).

Increased sales at CT Film (jointly owned with El Paso Products Company), along with emphasis on product mix and plant efficiencies, yielded much better results than the prior year.

Wholly-owned styrenics operations showed good strength with increased volume in acrylonitrile-butadiene-styrene (ABS) and latices (Southwest Latex Co.). Contributions from polystyrene resins and products were behind a year ago.

At year-end, production of resins of all types at all plants was at capacity. Engineering studies to increase production now are under way.

## CHEMICAL SPECIALTIES IMPROVE

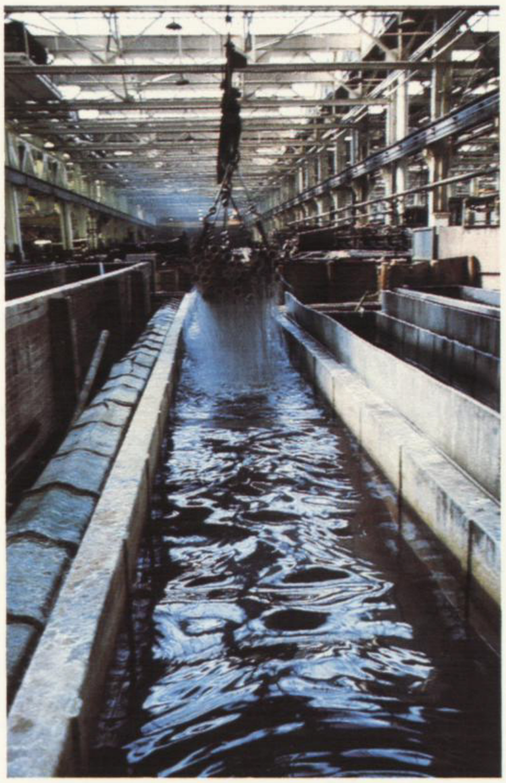
All divisions in the chemical specialties sector improved over 1971. Catalyst and additive activities were expanded early in 1972 with the acquisition of Synthetic Products Company, a Cleveland-based manufacturer of metallic stearates and stabilizers used in the manufacture of rubber and plastics. Results at Aztec Chemicals, manufacturer of organic peroxides and peresters, were aided by the introduction of new products. PureChem, whose catalyst is used in polypropylene production, moved into its new plant in Bayport, Texas, and achieved profitable operations by year-end.

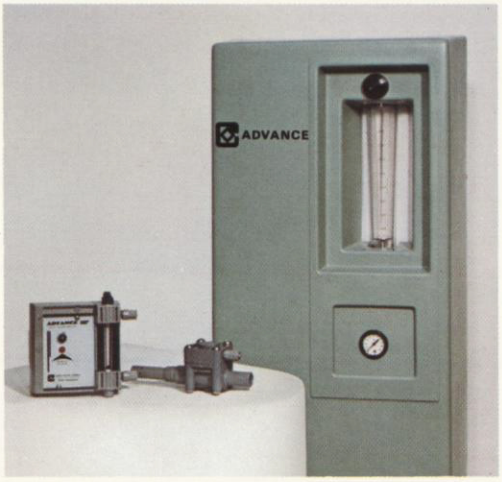
Fiberfil was benefited by the upturn in the automotive, appliance and industrial markets, which are major users of fiberglass reinforced thermoplastics. During 1973, the division's manufacturing operations at Evansville, Indiana will be expanded and consolidated. Color concentrates made by Wilson Products continued to be well received, particularly in wire and cable markets. European operations also are growing and Wilson's Belgium plant, along with the one in New Jersey, will be expanded in 1973.

Capital Controls, one of the environmental and services divisions, introduced water and waste purification equipment designed for large municipal and industrial installations. Sales of smaller-size chlorination controls and instrumentation continued strong. Lancy Laboratories, waste treatment service and engineering division, announced a new ion exchange process for recovering phosphoric acid from metal finishing operations. In 1972, the Company acquired the privately-held United Kingdom portion of this division.

## DEVELOPMENT AND ENGINEERING

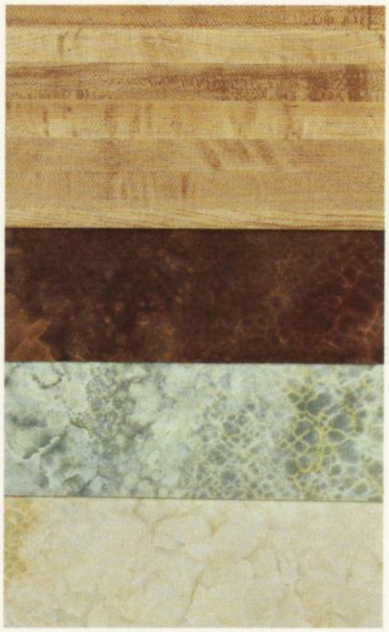
Progress was made on a number of research projects. Working with Thatcher Glass, Chemical Group scientists produced the polyethylene-based resin which is used to coat Thatcher's *Shatter Guard* glass bottles. Overall, the Group now has 162 patents in the United States and over 400 overseas. New developments included fire-retardant ABS resins, reinforced thermoplastic thermoset resins with a high range of colorability, and new petrochemical catalysts and additives.

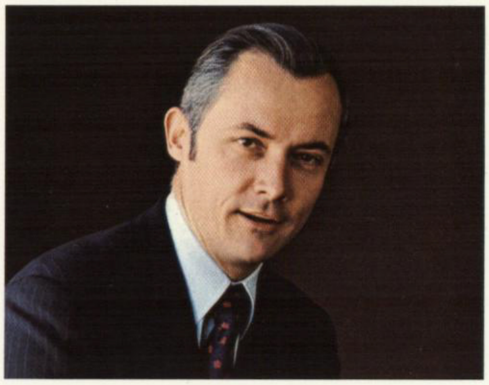




Waste treatment systems integrated into metal finishing process lines are a specialty of Lancy Laboratories, as in top photo. Capital Controls markets a full line of chlorinators and instrumentation for water purification and waste treatment.

Newest decorative laminates by Ralph Wilson Plastics feature Classic Onyx and Butcher Block patterns for counter tops, are designed to complement division's full line of interior surfacing materials and wall systems for residential and commercial applications. Installation of Classic Onyx with Harvest Leather pattern on cabinets is shown at left.





Gary A. Childress, President and Chief Executive Officer, Plastics Group

The Plastics Group is comprised of five divisions: Architectural Products, Styro-Products, Plastic Specialties, Packaging, and Seamless. Plastic processing technology is the common ingredient for the majority of the Group's operations, with the divisions containing companies related by technology and marketing.

## WILSON ART EXPANDS

Architectural products achieved another record year despite price pressures. Ralph Wilson Plastics' main product line of *Wilson Art* high-pressure decorative laminates, used primarily for the interior surfacing of homes and offices, has been broadened in recent years with adhesives, panel board and polyboard. The addition of new equipment substantially increased production capacity for high-pressure laminates. These factors, plus the addition of a ninth distribution center in Denver now under way and the planned construction of a larger Los Angeles distribution center, provide further prospects for continued growth.

Companies of the Styro-Products division produce plastic cups, containers for carry-out foods and delicatessen products, and dinnerware for markets in the United States and other countries.

pour Breuvages Chauds ou Froids
Hostess
styrocups
FRENCH ONION
Crowley
CREAM

## STYRO-PRODUCTS INTRODUCED

In the styro-products area, Thompson Industries started marketing precision-molded plastic cups (used in vending machines) in the eastern United States and signed a contract with a major supplier of vending machines. In addition to this new product, Thompson plans to introduce thermoformed plates and injection-molded cutlery in the United States during 1973. Production capacity was expanded during the year with additions at two plants, and early in 1973, Thompson opened a plant in Hawaii, its twelfth in the United States. The company also has entered into a joint venture with Nissin Food Products Co., Ltd., for the production and sale of styrofoam containers in Japan. Rexcel now manufactures machinery used in the filling and sealing of the thermoformed plastic containers that it produces for dairy, delicatessen and carry-out food products. It currently is enlarging its plant in Ludlow, Massachusetts. In Canada, the consolidation of operations under the Canada Cup name resulted in increased market penetration, better distribution, and reduced selling and administrative costs.

## NEW CAPACITY FOR SPECIALTIES

In plastic specialties, garden hose is now manufactured in the West at Reno, Nevada (Gering Products), and in the East (Colorite). Colorite Plastics is expanding both its compounding and hose manufacturing

Seamless sells recreational and medical products as shown in top photos. Plastic specialties include closures, seals, tubes and other containers by Thatcher Plastic and Imco Companies overseas; garden hose by Gering and Colorite; swim pool hose, aerosol and pen tubing by Action Plastics; aerosol gaskets by American Gasket and Rubber.

SEAMCO
95 golf balls
Sterilon
Ful-Flo VALVE SUCTION CATHETER
97-9558
1 Piece 8"x7½" Sterile*
KOMPAK Laceration NSF
OK
bio-kur
Jean D'estrees PARIS
NIVEA
FLEX-32
Sprinkler Gering
COLORITE all weather garden hose reinforced with nylon tire cord
TOUGH / DURABLE
FLEXIBLE / COILS EASILY YEAR ROUND
1/2"
Unconditionally guaranteed
COLORITE PLASTICS CO. RIDGEFIELD, N. J.

facility in New Jersey. Growth at Action Plastics, primarily in pen tubing applications, has made it necessary to increase that division's production capacity. Results at Epcon and Plasti-Line, engaged in the manufacture and leasing of signs, improved from 1971 levels although margins at Plasti-Line remained under pressure.

### PACKAGING OPERATIONS ENLARGED

Among the packaging divisions, Thatcher Plastic is developing a plastic laminated tube for the toothpaste market. Meanwhile, the potential at White Metal has been affected by decreasing customer demands for aluminum tubes.

Packaging facilities in Belgium and Australia were expanded during 1972 to meet customer demands, and new plant additions are planned for construction in 1973.

### SEAMLESS BUILDS FACILITY

Operations at Seamless have been reorganized into separate divisions—Seamless Hospital for the manufacture of medical and surgical products, and Seamco Sporting Goods for the manufacture of recreational products. The manufacture of *Seamless* Procedure Paks and *Sterilon* products was combined at the Fayette, Alabama, plant, where an additional facility was built to house the manufacture of surgeons' gloves. During 1972, Seamco added Harwood softballs and baseballs to its recreational product line.

# Glass Containers Group

John T. Pollock, President and Chief Executive Officer, Glass Containers Group

During 1972, the glass container industry was affected by minimal increases in demand along with concurrent over-capacity, which resulted in price erosion. Accordingly, although sales at Thatcher Glass improved slightly over the prior year, earnings were down substantially.

Although the Price Commission approved a cost-justified 6.2% increase in prices, competitive pressures permitted only 4% to be passed on to customers. This was insufficient to cover increased costs of labor and materials.

**SHATTER GUARD INTRODUCED**

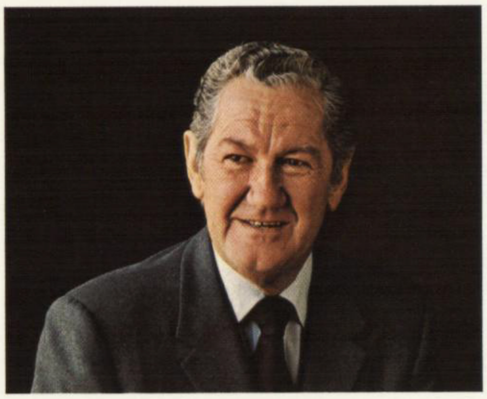
The division has been engaged in replacing business which industry-wide discounting has made less attractive. One step was the introduction in March 1972 of the *Shatter Guard* glass container. This is a lighter-weight glass bottle whose plastic coating (developed in cooperation with Dart's Chemical Group) increases resistance to impact, inhibits the glass from shattering, and retains the glass in the event of breakage. Patents have been applied for. The division now has two production lines devoted to the manufacture of the shatter-resistant bottles for a number of customers, who have reported less breakage, increased sales, and improved line performance at substantially reduced noise levels. The research and development effort on the *Shatter Guard* glass container is entering its more advanced phases of improving both the coating and the manufacturing process.

Thatcher Glass broadened its product line for the beverage industry with the introduction of *Shatter Guard*, a plastic-coated glass container that resists impact and shattering, weighs less than conventional glass containers.

# Rexall Group

Rexall Drug is strengthening its New Era marketing program with a line of natural vitamins, lower left, plus emphasis on high volume products like those shown below.

vitamins
naturally
Rexall



Robert T. Beattie, Chairman and Chief Executive Officer, Rexall Group

The Rexall Group showed improved results for 1972.

### NEW FRANCHISE PROGRAM

A new Rexall franchise program to improve the positions of both the division and its franchise druggists in the merchandising of high-usage products has been launched. It includes promotions based on a "Compare and Save" theme along with improved communications with franchisees. High-volume products are being introduced, including an all-new Rexall vitamin line, and they are being backed by year-long radio and magazine advertising.

To reduce inventory requirements of the franchisee, the program involves a further reduction of the Rexall product line to remove marginal items and virtually eliminate sundries. The program also extends the Rexall franchise to drug stores in areas where distribution of Rexall products is inadequate.

The New Era Rexall Program, as it is called, can cut back on costly short-term production runs to yield a more even flow of products throughout the year, and provide more efficient warehousing and distribution operations. The elimination of sundry sales will reduce the Company's investment further while offering increased opportunity for a reasonable return.

### OTHER OPERATIONS

The group consolidated distribution functions of its Liggett agency division into Rexall in order to provide a more efficient and economical service. Also, 50 Liggett drug stores were sold in 1972 and, following the close of the year, the Company arranged to sell 12 Drug King stores (see page 5). The Company continues to operate 11 Liggett stores, located in the northeast, and four retail drug stores in California.

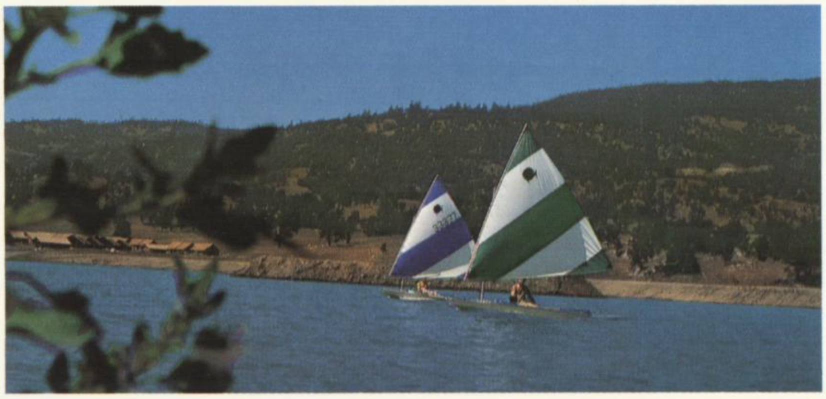
In international operations, Rexall-Canada and Rexall-South Africa recorded improved results.

Rexall
redi spray
Buffered Aspirin
31
alurex
REXALL
SHAVING CREAM
LIME

## Land Development Group

At Bear Valley Springs, many recreational facilities are in use or soon will be ready for property owners. Two lakes provide for fishing or boating. Nine-hole golf course will be ready in 1973.

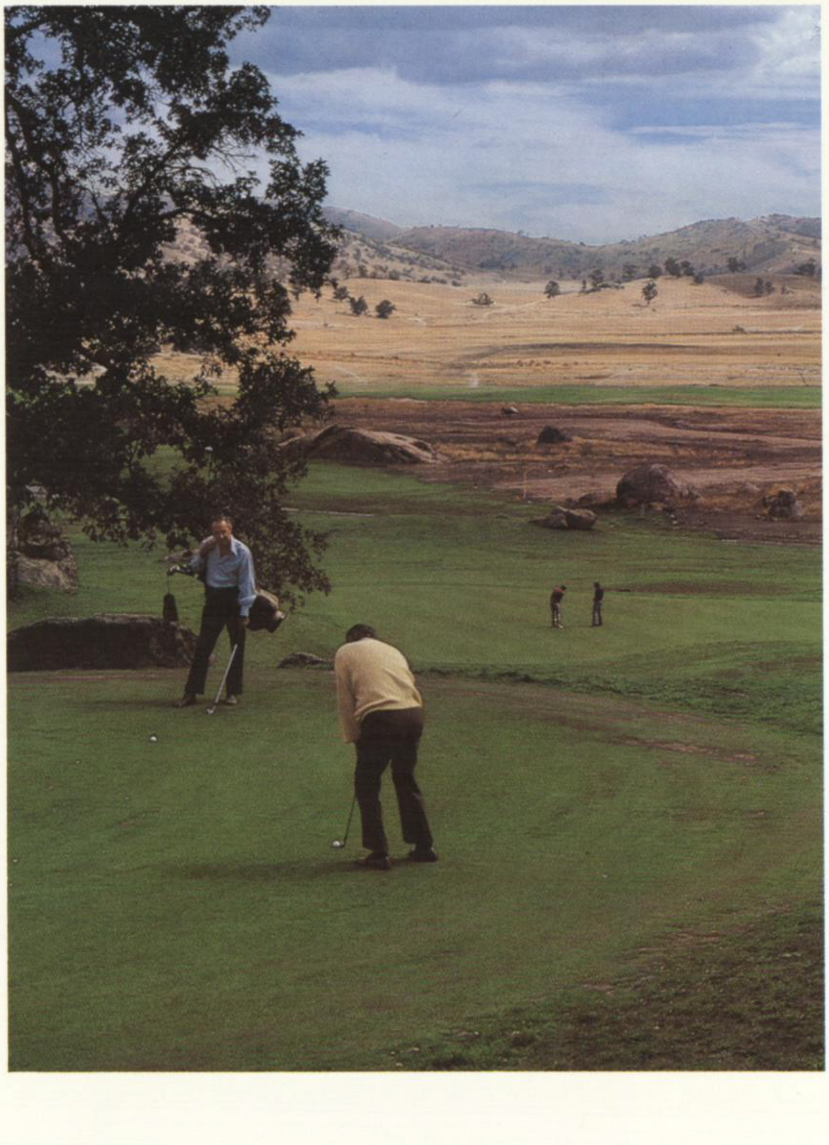
George J. Daly, Executive Vice President, Finance and Administration; Chief Executive Officer, Land Development Group



Substantial progress was made during the year toward the completion of improvements and recreation facilities at the Company's three major recreational resort projects. This is in keeping with the policy of providing property buyers with facilities for the immediate use and enjoyment of their property, prior to construction of their second homes.

In keeping with this policy, Lakeworld division elected to delay further sales at the Silver Lakes project (near Victorville, California, about a two-hour drive from Los Angeles) until a higher percentage of recreational resort amenities could be completed. This factor, plus the adverse publicity directed in general toward lot sales in California, accounted in large part for the reduction in division sales.

The Company's goals are to provide resorts of the highest quality, create satisfied customers, encourage a high degree of owner participation in the facilities and promote early



Resort facilities at Tahoe Donner currently available for use include ski bowl complex with day lodge, overnight lodge, and ski lifts.

construction of housing.

Although American Building Systems, the research and development program in component home building was discontinued late in 1972, Lakeworld remains strongly committed to assisting property owners to build homes on their properties. A home sales program is being implemented or planned at each project, and arrangements have been made to provide construction and mortgage financing to qualified property owners.

**CURRENT STATUS**

At Bear Valley Springs, the Company's first major recreational resort project, the construction of improvements such as roads, sewers, utilities, and resort facilities was approximately three-quarters completed at year-end. This work is expected to be virtually finished by the end of 1973. The majority of these extensive facilities, including a recreation center with clubhouse and restaurant, tennis and paddle courts, and swimming pools; equestrian facilities, campgrounds and lakes for fishing and boating are in regular use by property owners. A nine-hole golf course will be ready for use in 1973. Twenty condominiums, which initially will be used as rental accommodations for property owners, have been built, and model homes are under construction.

At Tahoe Donner (16 miles north of Lake Tahoe in California), where construction is hampered by weather and the short building season prevalent in the High Sierra, improvements started in 1971 were already one-half complete at year-end 1972. They should be three-quarters finished at the end of 1973, weather permitting. Resort facilities now available include a ski bowl complex, an overnight lodge, a day lodge for skiers, a recreation center with swimming pool, tennis courts and restaurant, and a private beach club and boat launching facility on nearby Donner Lake. Condominiums and model homes have been built.

At Silver Lakes, where construction began in the fall of 1971, improvements and facilities were more than one-third complete at year-end and will be three-quarters complete by the end of 1973. Extensive recreational amenities, including two boating-size lakes with 13 miles of water frontage and a 27-hole golf course, are under construction. The Company also plans to build a lodge, model homes, condominiums and a clubhouse, swimming pool and tennis courts.

# Corporate Group

Donald H. Brewer, Senior Vice President and Chief Executive for Corporate Staff operations

The Corporate Group serves as a focal point for the initiation and support of new business ventures, for the planning and coordination needed for long-range growth and profitable operations of the Company, and for assisting the operating divisions with staff services.

Support provided includes accounting, communications, financial planning, financial analysis and review, long-range planning, personnel and labor relations, legal, and management services.

The Company's developing business ventures are Dart Direct Marketing and Bonus Gifts. Bonus Gifts is jointly owned with The Glendinning Companies.

## DIRECT MARKETING DEVELOPMENTS

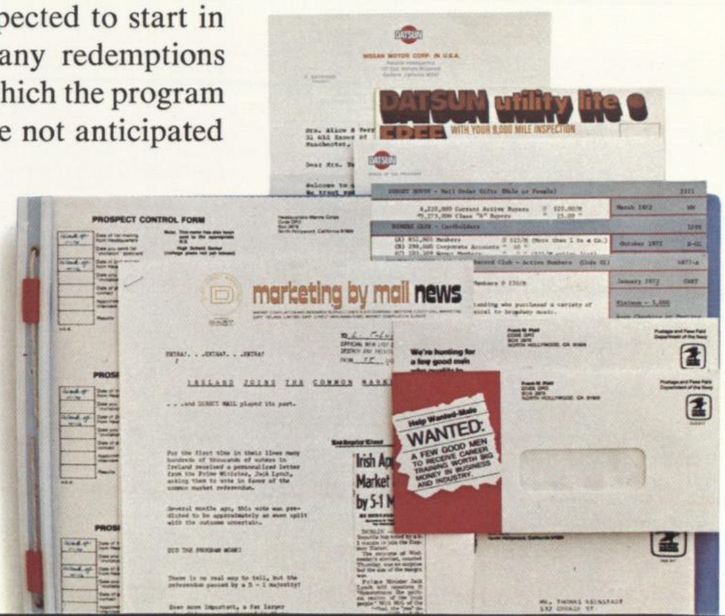
In the Direct Marketing division, Market Compilation and Research Bureau expanded its basic product line of computerized direct mail lists and computer letters and provided additional services in applications such as recruiting programs directed toward an all-volunteer military service. Western Direct Mail Marketing augmented its advertising services and acquired several new clients during the year.

Lewis Kleid maintained its position as the leading broker of lists used in direct mail campaigns. Dart Ireland and Market Compilation Europe, the division's entries in the European market, expanded their sales operations and list compilation capacity during their first full year.

## BONUS GIFTS TO EXPAND

During 1972, the Bonus Gifts program received a favorable opinion from the Food and Drug Administration that its coupons, which are attached to name brand products generally found in grocery stores, were not affected under the FDA's guidelines limiting the use of promotional couponing. The time taken to receive this opinion delayed planned nationwide expansion of the program. Widespread distribution by 26 participating companies of products bearing Bonus Gifts coupons now is expected to start in June 1973. Company redemptions in quantity (from which the program derives revenue) are not anticipated until late 1973.

Dart Direct Marketing offers a wide variety of direct mail marketing services including computerized list compilation and brokerage and direct response advertising both in the United States and Europe.



# Dart Industries Inc.
# Companies and Products

### Direct Selling Group

Headquarters—Orlando, Florida

Tupperware Division—*Food preparation, storage and serving containers; toys*

Vanda Beauty Counselor Division—*Cosmetics and toiletries*

### Consumer Products Group

Headquarters—West Bend, Wisconsin

Babcock-Phillips—*Hassocks, cushions, pillows*

Coppercraft Guild—Coppercraft Guild Canada—*Copper giftware and decorative items*

Nappe-Smith Company—*Insulated bags and thermal containers*

Syroco—Syroco Canada—*Decorative accessories, casual furniture*

Thermo-Serv—*Insulated and non-insulated serving ware, vacuum products*

The West Bend Company—West Bend of Canada—*Cookware, electric housewares, humidifiers, electronic air cleaners and personal care items*

### Glass Containers Group

Headquarters—White Plains, N.Y.

Thatcher Glass—*Convenience packaging*

### Corporate Group

Headquarters—Los Angeles, California

Dart Direct Marketing

- Market Compilation and Research Bureau—*List compilation and computerized direct marketing services*
- Lewis Kleid Company—*Mailing list brokerage*
- Western Direct Mail Marketing—*Direct response advertising*
- Dart Ireland Ltd.—*List compilation*
- Market Compilation Europe—*Computerized marketing services*

Bonus Gifts, Inc.—*Continuity gift program (jointly owned with The Glendinning Companies)*

Corporate staff services

### Chemical Group

Headquarters—Los Angeles, California

PLASTIC RAW MATERIALS SECTOR

Rexene Polymers Company—*Polyethylene, polypropylene and olefins (joint venture with El Paso Products Company, olefins by El Paso)*

- Styrenics—*Polystyrene, ABS, oriented polystyrene sheeting*

C T Film—*Packaging film (jointly owned with El Paso Products Company)*

Southwest Latex Company—*Styrene-butadiene latices*

CHEMICAL SPECIALTIES SECTOR

*Catalysts and Additives:*

Aztec Chemicals—*Organic peroxides and peresters*

PureChem—*Titanium trichloride*

Synthetic Products—*Metallic stearates, vinyl stabilizers*

*Plastic Specialties:*

Fiberfil—*Fiberglass reinforced thermoplastics, thermoplastic thermosets*

Wilson Products—*Color concentrates and dispersions*

*Environmental and Services:*

Capital Controls—*Chlorinators and control systems for water purification and waste treatment*

Electrochemicals—*Chemicals for electroplating*

Lancy Laboratories—*Waste treatment engineering and services*

DEVELOPMENT AND ENGINEERING SECTOR

*Research and development, licensing, facilities construction*

### Land Development Group

Headquarters—Los Angeles, California

Lakeworld—*Land development and marketing*

### Plastics Group

Headquarters—Los Angeles, California

ARCHITECTURAL PRODUCTS

Ralph Wilson Plastics—*Decorative laminates, laminated art*

Panel Products—*Vinyl-clad wall and furniture board*

STYRO-PRODUCTS

Thompson Industries, Rexcel, Canada Cup, Insulpak, Ltd., Camira, N. V.—*Plastic cups, food containers and dinnerware*

PACKAGING

Thatcher Plastic Packaging—*Tubes, closures, seals*

White Metal—*Collapsible metal tubes*

Imco Companies (Belgium, England, Spain, Australia)—*Plastic bottles*

PLASTIC SPECIALTIES

Action Plastics—*Extruded specialties*

Action Plastic and Rubber Company (Belgium)—*Extruded specialties and aerosol gaskets*

American Gasket and Rubber—*Aerosol gaskets*

Colorite Plastics—*Garden hose, compounding*

Epcon—*Custom signs and leasing, sign facings and components*

Gering Products—*Garden hose*

Plasti-Line—*National trademark signs*

SEAMLESS

Seamless Hospital—*Medical and surgical products*

Seamco—*Sporting goods and recreational products*

### Rexall Group

Headquarters—Los Angeles, California

Rexall Drug Company—*Manufacturing and franchising*

Rexall Realty—*Store financing*

Company-owned retail drug stores

Note: Product names printed in *italics* on all pages indicate trademarks.

## REPORT OF INDEPENDENT ACCOUNTANTS

Price
Waterhouse & Co.

606 South Olive Street
Los Angeles 90014

March 5, 1973

To the Board of Directors and
Stockholders of Dart Industries Inc.

We have examined the accompanying consolidated financial statements (pages 30 to 41) of Dart Industries Inc. and consolidated subsidiaries for the years ended December 31, 1972 and 1971. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in the Summary of Accounting Policies and the note to financial statements on Land Development Operations, during 1972 the Company retroactively changed its method of accounting for retail land sales.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Dart Industries Inc. and consolidated subsidiaries at December 31, 1972 and 1971, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for retail land sales.

Price Waterhouse & Co.

# Summary of Accounting Policies

**Basis of consolidation**—Significant subsidiaries are consolidated except for two finance subsidiaries which are accounted for on the equity method. Significant intercompany transactions are eliminated.

Accounts of foreign subsidiaries are translated into United States dollar equivalents at appropriate yearend exchange rates except for property accounts and related items for which historical exchange rates are used. Net gains on foreign currency translations and revaluations of currencies are deferred. Net translation losses are charged to gains previously deferred or to operations.

Dart is a 50% owner of a plastics processing corporation and a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. The accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

**Inventories**—Inventories used in determining cost of goods sold are stated at the lower of cost or market after eliminating intercompany profits. In general, cost as applied to inventory valuation represents current purchase or manufacturing cost applied on the first-in, first-out method for finished goods and average cost for other inventories. Obsolete and damaged merchandise is excluded.

**Depreciation, amortization, maintenance, etc.**—Depreciation of property, plant and equipment is provided on a consistent basis over the estimated average useful lives of the various assets, applied chiefly on a straight line basis excluding fully depreciated assets.

Lives used for calculating depreciation rates for the principal asset classifications are as follows: buildings and improvements—10 to 50 years; machinery and equipment—3 to 18 years; leasehold improvements—10 to 14 years or period of the lease.

Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Expenditures for additions, improvements, replacements, betterments and major renewals are added to the property, plant and equipment accounts. Expenditures for rebuilding furnaces and for repairs to related equipment are capitalized as incurred either as inventory, in the case of materials purchased for such repairs pending their use, or as fixed assets which are depreciated over their estimated service lives.

Plant assets retired, or otherwise disposed of, are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts. Gains and losses from disposals are included in earnings.

Intangibles having a limited life are amortized over their estimated useful lives. Certain intangibles acquired prior to October 31, 1970 are considered to have an unlimited life and are not being amortized.

Expenditures for research and development are charged to earnings as incurred.

**Income taxes**—Declining balance and guideline depreciation and the instalment method of income recognition for retail sales of property generally are used in the determination of income for tax purposes where applicable. Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between book and tax income.

Investment tax credits are accounted for on the flow-through basis.

Dart and its domestic subsidiaries file a consolidated federal income tax return. Provision is made for United States income taxes on earnings of foreign subsidiaries which will be remitted to the parent company.

**Land development**—Substantially all land development activity relates to the retail sale of single lots to individuals. Until 1972, sales of property were recognized at the close of escrow in which at least 10% of the sales price had been received in cash. The balance of the sales price is evidenced by a note secured by a deed of trust payable generally in periodic instalments for periods up to ten years. The notes bear interest at rates which usually vary from 8¼% to 8¾% depending upon the amount of the customer's down payment. In accordance with the provisions of Opinion 21 of the Accounting Principles Board of the American Institute of Certified Public Accountants, additional interest was imputed relative to property sales made after September 30, 1971. Cost of land and related improvements were charged to operations generally based on the relative sales value of the parcel to the estimated sales value of the project.

In January 1973, the Committee on Land Development Companies of the American Institute of Certified Public Accountants announced an Accounting Guide on "Accounting for Retail Land Sales", to be applied to all companies in the industry. The application of the Guide is mandatory for 1972 and the results of operations of prior years must be restated in accordance with its provisions. To conform with these new industry-wide accounting requirements, Dart retroactively has changed its method of accounting for retail land sales to a method under which, on a project by project basis, the instalment method is used until actual collection experience for a project indicates that collectibility of receivable balances is reasonably predictable, after which the accrual method as defined in the Guide will be used. Under the instalment method, the gross profit less selling expenses related to the portion of the sales price which is not received in cash is deferred at the time of sale and recognized as cash is collected. In the opinion of management, none of Dart's projects qualifies under the provisions of the Guide for the accrual method at December 31, 1972. Reference is made to the note on Land Development Operations for the effects of the restatement required by this accounting change.

Interest and property taxes related to land held for improvement are charged to earnings as incurred.

DART INDUSTRIES INC. AND CONSOLIDATED SUBSIDIARIES

# Balance Sheet *December 31, 1972 and 1971*

**Assets**

| | *1972* | *1971 (restated)* |
|---|---|---|
| Current assets: | | |
| Cash | $ 27,825,000 | $ 29,844,000 |
| Short term securities, at cost which approximates market | 84,636,000 | 50,132,000 |
| Total cash and short term securities | 112,461,000 | 79,976,000 |
| Accounts and notes receivable | 131,564,000 | 115,093,000 |
| Inventories | 174,775,000 | 160,447,000 |
| Prepaid expenses | 7,217,000 | 6,910,000 |
| Deferred future income tax benefits | 10,900,000 | 5,400,000 |
| Total current assets | 436,917,000 | 367,826,000 |
| Land development assets | 93,562,000 | 62,404,000 |
| Properties: | | |
| Properties owned | 300,372,000 | 273,375,000 |
| Properties leased from others | 18,432,000 | 18,953,000 |
| Total properties | 318,804,000 | 292,328,000 |
| Investments and other assets: | | |
| Marketable securities (quoted market value: 1972—$48,328,000; 1971—$100,745,000) | 44,204,000 | 61,961,000 |
| 3M Company common stock held in escrow for exchange by holders of 4¼% and 4¾% debentures issued in 1972 (quoted market value at December 31, 1972—$72,529,000) | 35,162,000 | |
| Equity in unconsolidated finance subsidiaries | 3,576,000 | 3,465,000 |
| Other assets, receivables and investments | 28,471,000 | 23,420,000 |
| Intangibles | 15,104,000 | 14,938,000 |
| Total investments and other assets | 126,517,000 | 103,784,000 |
| Total assets | $975,800,000 | $826,342,000 |

*See accompanying notes to financial statements and summary of accounting policies.*

**Liabilities and Stockholders' Equity**

| | *1972* | *1971 (restated)* |
|---|---|---|
| Current liabilities: | | |
| Accounts payable | $ 45,618,000 | $ 41,081,000 |
| Accrued compensation | 21,067,000 | 21,294,000 |
| Other accrued expenses | 60,679,000 | 45,022,000 |
| Short term loans, foreign | 3,776,000 | 3,088,000 |
| Current instalments of discounted rental obligations | 1,340,000 | 988,000 |
| Current instalments of long term debt | 7,035,000 | 6,398,000 |
| Income taxes | 15,800,000 | 7,500,000 |
| Total current liabilities | 155,315,000 | 125,371,000 |
| Land development liabilities | 33,673,000 | 33,522,000 |
| Discounted rental obligations, less current instalments | 19,327,000 | 20,675,000 |
| Long term debt, less current instalments | 204,613,000 | 135,755,000 |
| Deferred income taxes | 51,500,000 | 47,400,000 |
| Stockholders' equity: | | |
| Preferred Stock | 14,948,000 | 14,961,000 |
| Common Stock | 24,405,000 | 23,462,000 |
| Capital in excess of par value | 202,230,000 | 174,958,000 |
| Retained earnings* | 271,362,000 | 251,811,000 |
| | 512,945,000 | 465,192,000 |
| Less cost of reacquired shares of capital stock: Preferred—32,500; Common—1,942 | 1,573,000 | 1,573,000 |
| Total stockholders' equity | 511,372,000 | 463,619,000 |
| Total liabilities and stockholders' equity | $975,800,000 | $826,342,000 |

**Of the 1972 retained earnings, $28,122,000 is reserved for a 3% Common Stock dividend of 585,900 shares payable March 8, 1973.*

DART INDUSTRIES INC. AND CONSOLIDATED SUBSIDIARIES

# Statement of Earnings and Retained Earnings

| *For the Years Ended December 31, 1972 and 1971* | *1972* | *1971 (restated)* |
|---|---|---|
| **Income:** | | |
| Net sales | $888,116,000 | $815,968,000 |
| Other income | 11,811,000 | 8,857,000 |
| | 899,927,000 | 824,825,000 |
| **Costs and Expenses:** | | |
| Cost of goods sold and operating expenses | 527,373,000 | 482,823,000 |
| Selling, distribution and administrative expenses | 222,389,000 | 213,992,000 |
| Depreciation and amortization | 34,279,000 | 31,471,000 |
| Interest expense | 12,222,000 | 10,089,000 |
| Provision for income taxes— | | |
| Payable currently | 42,000,000 | 34,700,000 |
| Tax effect of timing differences | 8,300,000 | 7,500,000 |
| | 846,563,000 | 780,575,000 |
| **Earnings Before Extraordinary Items** | 53,364,000 | 44,250,000 |
| Extraordinary items, net of applicable income taxes | 1,143,000 | |
| **Net Earnings** | 54,507,000 | 44,250,000 |
| Retained earnings at beginning of year, as previously reported | 256,444,000 | 236,331,000 |
| Less adjustment for cumulative effect on prior years of applying retroactively the new method of accounting for retail land sales | 4,633,000 | 827,000 |
| Retained earnings at beginning of year, as adjusted | 251,811,000 | 235,504,000 |
| | 306,318,000 | 279,754,000 |
| **Dividends:** | | |
| Cash— | | |
| Dart Industries Inc. | | |
| Preferred—$2 per share | 5,916,000 | 5,919,000 |
| Common—$.30 and $.29 per share | 5,783,000 | 5,536,000 |
| Pooled company prior to merger | 19,000 | 20,000 |
| Common Stock, 3%, 560,000 shares at $41.50 per share paid in March 1972 and 539,900 shares at $30.50 paid in March 1971 | 23,238,000 | 16,468,000 |
| | 34,956,000 | 27,943,000 |
| **Retained Earnings at End of Year** | $271,362,000 | $251,811,000 |
| **Earnings per Share of Common Stock:** | | |
| **Including Common Stock Equivalents—** | | |
| Before extraordinary items | $ 2.41 | $ 1.97 |
| Extraordinary items | .06 | |
| Net earnings | $ 2.47 | $ 1.97 |
| **Fully Diluted—** | | |
| Before extraordinary items | $ 2.34 | $ 1.95 |
| Net earnings | $ 2.39 | $ 1.95 |

***See accompanying notes to financial statements and summary of accounting policies.***

# Statement of Capital Stock

| *For the Years Ended December 31, 1972 and 1971* | *1972* | | *1971 (restated)* | |
|---|---|---|---|---|
| | *Shares issued* | *Amount* | *Shares issued* | *Amount* |
| **Preferred, $5.00 Par Value** | | | | |
| Authorized, 3,000,000 shares | | | | |
| Series A $2 Cumulative Convertible (aggregate liquidating preference in 1972—$149,480,000) | | | | |
| **At Beginning of Year** | 2,992,200 | $14,961,000 | 2,992,300 | $14,961,000 |
| Upon conversion into Common Stock | (2,600) | (13,000) | (100) | |
| **At End of Year, Including Reacquired Shares** | 2,989,600 | $14,948,000 | 2,992,200 | $14,961,000 |
| **Common, $1.25 Par Value** | | | | |
| Authorized, 35,000,000 shares | | | | |
| **At Beginning of Year** | 18,769,400 | $23,462,000 | 18,117,800 | $22,648,000 |
| For stock dividend | 560,000 | 700,000 | 539,900 | 675,000 |
| Upon exercise of options | 188,200 | 236,000 | 94,300 | 118,000 |
| Additional shares issued in connection with a 1970 pooling | 3,500 | 4,000 | 17,300 | 21,000 |
| Upon conversion of Preferred Stock | 2,600 | 3,000 | 100 | |
| **At End of Year, Including Reacquired Shares** | 19,523,700 | $24,405,000 | 18,769,400 | $23,462,000 |

# Statement of Capital in Excess of Par Value

| *For the Years Ended December 31, 1972 and 1971* | *1972* | *1971 (restated)* |
|---|---|---|
| **At Beginning of Year** | $174,958,000 | $157,192,000 |
| Excess of fair value over par value of Common Stock issued as stock dividend | 22,538,000 | 15,793,000 |
| Additional shares of Common Stock issued in connection with a 1970 pooling | (4,000) | (21,000) |
| Tax benefit arising from exercise of non-qualified options and from disqualifying dispositions of Common Stock by optionees | 400,000 | |
| Other credits, principally the excess of option prices over par value of stock options exercised | 4,338,000 | 1,994,000 |
| **At End of Year** | $202,230,000 | $174,958,000 |

***See accompanying notes to financial statements and summary of accounting policies.***

# Statement of Changes in Financial Position

| *For the Years Ended December 31, 1972 and 1971* | *1972* | *1971 (restated)* |
|---|---|---|
| **Source:** | | |
| Earnings for the year before extraordinary items | $ 53,364,000 | $ 44,250,000 |
| Depreciation and amortization | 34,279,000 | 31,471,000 |
| Provision for deferred income taxes | 4,100,000 | 5,780,000 |
| Provided by operations, excluding extraordinary items | 91,743,000 | 81,501,000 |
| Net extraordinary gain | 1,143,000 | |
| Provided by operations and net extraordinary gain | 92,886,000 | 81,501,000 |
| Issuance of 4¼ % Subordinated Debentures | 60,000,000 | |
| Issuance of 4¾ % Subordinated Debentures | 20,000,000 | |
| Issuance of 7½ % Sinking Fund Debentures | | 59,700,000 |
| Other increase in long term debt | 3,490,000 | 481,000 |
| Sale of 3M Company common stock, excluding gain | 22,958,000 | 36,374,000 |
| Sale of properties and other investments, excluding gain or loss | 4,000,000 | 847,000 |
| Sale of notes receivable to unconsolidated finance subsidiary | | 9,452,000 |
| Increase in discounted rental obligations | | 1,000,000 |
| Exercise of stock options | 4,964,000 | 2,150,000 |
| Other | 40,000 | 152,000 |
| **Total Working Capital Provided** | 208,338,000 | 191,657,000 |
| **Use:** | | |
| Properties and other assets purchased | 69,373,000 | 53,080,000 |
| Properties leased from others | 621,000 | 1,000,000 |
| Equity in unconsolidated finance subsidiaries | 111,000 | 3,465,000 |
| Purchase of notes receivable from unconsolidated finance subsidiary | 4,935,000 | |
| Cash dividends paid by Dart— | | |
| Preferred Stock | 5,916,000 | 5,919,000 |
| Common Stock | 5,783,000 | 5,536,000 |
| Investment in land development | 26,072,000 | 22,139,000 |
| Investment in marketable securities | 40,363,000 | |
| Decrease in long term debt | 14,632,000 | 5,858,000 |
| Discounted rental obligations | 1,348,000 | 1,024,000 |
| Other | 37,000 | 228,000 |
| **Total Working Capital Used** | 169,191,000 | 98,249,000 |
| Working capital increase (see components in note) | $ 39,147,000 | $ 93,408,000 |

*See accompanying notes to financial statements and summary of accounting policies.*

# Notes to Financial Statements

| **Details of Balance Sheet** | *1972* | *1971* |
|---|---|---|
| Accounts and notes receivable: | | |
| Trade | $128,115,000 | $116,700,000 |
| Other | 11,479,000 | 6,741,000 |
| | 139,594,000 | 123,441,000 |
| Less reserve | 8,030,000 | 8,348,000 |
| | $131,564,000 | $115,093,000 |
| Inventories: | | |
| Raw materials and supplies | $ 53,350,000 | $ 43,145,000 |
| Work in process | 14,870,000 | 12,613,000 |
| Finished goods | 106,555,000 | 104,689,000 |
| | $174,775,000 | $160,447,000 |
| Properties owned, at cost: | | |
| Land | $ 8,765,000 | $ 8,005,000 |
| Buildings and improvements | 135,017,000 | 120,048,000 |
| Machinery and equipment | 329,859,000 | 295,812,000 |
| Leasehold improvements | 3,972,000 | 7,760,000 |
| Construction in progress | 10,283,000 | 14,172,000 |
| | 487,896,000 | 445,797,000 |
| Less accumulated depreciation | 187,524,000 | 172,422,000 |
| | $300,372,000 | $273,375,000 |
| Intangibles, at cost less amortization: | | |
| Excess of investments in businesses purchased over net assets acquired | $ 13,945,000 | $ 13,791,000 |
| Patents, licenses, trademarks, etc. | 1,159,000 | 1,147,000 |
| | $ 15,104,000 | $ 14,938,000 |
| Long term debt, less current instalments: | | |
| 7½% Sinking Fund Debentures, due April 1, 1996, $60,000,000, less unamortized discount of $271,000 and $288,000 | $ 59,729,000 | $ 59,712,000 |
| 4¼% Subordinated Debentures, due July 15, 1997 (exchangeable on and after August 1, 1973 for common stock of 3M Company) | 60,000,000 | |
| 4¾% Subordinated Debentures due August 15, 1987 (exchangeable on and after September 1,1973 for common stock of 3M Company) | 20,000,000 | |
| Unsecured notes, 4.042% to 5.75%, due in annual instalments to 1987 | 58,533,000 | 63,527,000 |
| Other | 6,351,000 | 12,516,000 |
| | $204,613,000 | $135,755,000 |

# Notes to Financial Statements (continued)

**Business combinations** In 1972, Dart acquired two companies in exchange for 118,800 shares of Dart Common Stock (including 3,600 previously reacquired shares). Sales and net earnings of these companies were $6,839,000 and $402,000, respectively, in 1971. These transactions were accounted for as poolings of interests and accordingly the accompanying statements include the accounts of these businesses as of December 31, 1972 and for the year then ended. Comparative 1971 amounts have been restated to include the accounts of these businesses. Under the terms of a 1970 acquisition agreement, 3,500 and 17,300 additional shares of Dart Common Stock were issued during 1972 and 1971, respectively; a maximum of 10,500 more shares may be issued in 1973. Certain other businesses were acquired for cash and such acquisitions were accounted for as purchases. The operating results of these businesses have been included in Dart's financial statements from the dates of acquisition and were not significant.

**International operations** A summary of amounts related to foreign subsidiaries at December 31 (excluding intercompany accounts) follows:

| | *1972* | *1971* |
|---|---|---|
| Current assets | $ 75,697,000 | $ 66,613,000 |
| Properties | 42,363,000 | 32,458,000 |
| Investments and other assets | 4,512,000 | 3,555,000 |
| Total assets | 122,572,000 | 102,626,000 |
| Current liabilities | 37,333,000 | 29,015,000 |
| Long term debt and deferred income taxes | 5,943,000 | 4,621,000 |
| Total liabilities | 43,276,000 | 33,636,000 |
| Net assets of foreign subsidiaries in consolidation | $ 79,296,000 | $ 68,990,000 |

Net sales from operations outside the United States were $161,209,000 in 1972 and $123,861,000 in 1971. Undistributed earnings of foreign subsidiaries included in consolidation were $12,081,000 for 1972 and $7,597,000 for 1971 and aggregated $54,011,000 at December 31, 1972. Dart has not considered it necessary to provide for deferred income taxes on $51,302,000 of this total because that amount has been or is expected to be reinvested outside the United States for an indefinite period of time. Dividends of $1,044,000 in 1972 and $983,000 in 1971 were received from foreign subsidiaries.

**Land development operations** As described in the Summary of Accounting Policies, in 1972 Dart changed its method of accounting for land development operations in accordance with new industry-wide requirements. Financial statements have been restated retroactively to reflect this accounting change. The effect of this retroactive application is to decrease net earnings and earnings per share of Common Stock and Common Stock equivalents for 1972 by $1,208,000 and $.06, and for 1971 by $3,806,000 and $.20. Financial statements for years prior to 1971 have not been presented herein because land sales were relatively small in 1970 and 1969. The downward per share earnings effect for such years was $.03 and $.01, respectively.

A summary of accounts related to land development operations at December 31 (excluding intercompany accounts) follows:

| | *1972* | *1971* |
|---|---|---|
| Assets | | |
| Cash, prepaid expenses, etc. | $ 770,000 | $ 434,000 |
| Notes receivable, principally 8¼% and 8¾% | 47,064,000 | 27,394,000 |
| Deferred profit on land sales | (13,601,000) | (11,096,000) |
| Land, substantially all being improved | 48,717,000 | 38,339,000 |
| Properties and other assets | 10,612,000 | 7,333,000 |
| | $ 93,562,000 | $ 62,404,000 |
| Liabilities | | |
| Accounts payable, accrued costs and expenses, etc. | $ 31,997,000 | $ 32,321,000 |
| Notes payable on land obligations, 6% to 8% | 1,676,000 | 1,201,000 |
| | $ 33,673,000 | $ 33,522,000 |

Notes receivable are due in the five years subsequent to December 31, 1972 as follows: 1973—$4,203,000; 1974 — $4,491,000; 1975 — $4,875,000; 1976 — $4,862,000; 1977 — $5,062,000.

Total estimated costs to complete improvements related to active projects, based on engineering studies, amount to $39,487,000, and anticipated expenditures related to such improvements are estimated to be as follows: 1973—$22,668,000; 1974 — $15,408,000; 1975 — $1,411,000.

Total principal payments due on notes payable on land obligations in the five years subsequent to December 31, 1972 are as follows: 1973—$456,000; 1974 — $102,000; 1975 — $110,000; 1976 — $202,000; 1977 — $117,000.

Cost of goods sold and operating expenses includes deferred profit on retail land sales of $4,787,000 for 1972 and $7,822,000 for 1971 (net of profit recognized: 1972—$1,315,000; 1971—$1,016,000).

Dart's 1971 financial statements include certain reclassifications to conform with the 1972 statement presentation of land development accounts.

**Properties leased from others** Dart has recorded as assets the cost of certain properties leased from others. The related discounted lease obligations are set forth separately in the accompanying balance sheet. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

These lease obligations are payable approximately $2,000,000 annually until 1977, then decreasing and continuing at lesser amounts thereafter to 1993. Rentals payable under other leases are shown in a following Note.

**Marketable securities** During 1972, Dart initiated a program of investing in industrial and utility common and preferred stocks on a highly selective basis to increase the return on funds held for future development and expansion. Because it is not anticipated that such securities will be sold until sometime after 1973, the investments therein have been reflected as non-current assets under Investments and Other Assets.

**Investment in 3M Company common stock** At December 31, 1972, Dart owned 939,517 shares (after a 2-for-1 split) of 3M Company common stock which were received in the 1970 sale of the ethical drug business. These shares are carried at the value established by independent appraisal to recognize the restriction on their sale (which expired in January 1972). Of such shares, 847,000 are held by an independent Escrow Agent for possible exchange by holders of the $60,000,000 4¼ % Subordinated Debentures due July 15, 1997 and the $20,000,000 4¾% Subordinated Debentures due August 15, 1987, as described more fully in a following Note. The remaining 92,517 shares have been included in Marketable Securities in 1972 and all shares owned at December 31, 1971 have been included therein (1,492,512 after a 2-for-1 split). Dart is entitled to all cash dividends paid on the 3M stock held in escrow to the extent that they do not exceed 3M's net earnings.

**Unconsolidated finance subsidiaries** In late 1971, Dart formed a wholly-owned subsidiary, Dart Industries Credit Corp. (DICC), to finance certain receivables generated by operations of Dart. The finance subsidiary commenced business with the exchange of $9,452,000 of long term interest bearing notes receivable for all its common stock and a $6,000,000 payable to Dart. As of December 1, 1971, DICC executed an Agreement with six banks for a $65 million five year line of credit with certain renewal options. Interest on borrowings is payable quarterly at ½ of 1% above the prime rate of interest charged by the lead bank. Borrowings of DICC are not guaranteed by Dart but receivables are purchased from Dart on a basis to yield earnings of at least 150% of DICC's fixed charges. Because of Dart's advantageous cash position in 1972, sufficient receivables were repurchased from DICC to allow for liquidation of the long term bank debt.

Balance sheets of DICC at December 31 follow:

| | *1972* | *1971* |
|---|---|---|
| Assets | | |
| Cash | $ 13,000 | $ 167,000 |
| Notes receivable, principally 8¼ %, including $372,000 and $695,000 due in one year | 3,720,000 | 9,384,000 |
| Other assets | 57,000 | 79,000 |
| Total assets | $3,790,000 | $9,630,000 |
| Liabilities and Stockholder's Equity | | |
| Liabilities: | | |
| Payable to Dart | $ 196,000 | $ 105,000 |
| Accrued expenses | 19,000 | 60,000 |
| Long term bank debt | | 6,000,000 |
| Total liabilities | 215,000 | 6,165,000 |
| Stockholder's equity: | | |
| Common stock, $100 par value Authorized and outstanding, 1,000 shares | 100,000 | 100,000 |
| Capital in excess of par value | 3,352,000 | 3,352,000 |
| Retained earnings | 123,000 | 13,000 |
| Total stockholder's equity | 3,575,000 | 3,465,000 |
| Total liabilities and stockholder's equity | $3,790,000 | $9,630,000 |

Net earnings of DICC were $110,000 in 1972 and $13,000 in 1971.

In late 1972, Dart formed a wholly-owned subsidiary, Dart Industries Mortgage Company (DIMC), to finance a portion of the cost of home building by property owners in Dart land development projects. At December 31, 1972, no financing had been undertaken by DIMC.

**Income taxes** Income taxes charged to earnings were comprised of the following:

| | *1972* | *1971* |
|---|---|---|
| Federal | $35,458,000 | $31,790,000 |
| Foreign | 11,967,000 | 7,980,000 |
| State | 4,600,000 | 2,960,000 |
| Investment tax credits | (1,725,000) | (530,000) |
| | $50,300,000 | $42,200,000 |

**Long term debt** Total principal payments due on long term debt in the five years subsequent to December 31, 1972 are as follows: 1973—$7,035,000; 1974—$6,901,000; 1975—$6,369,000; 1976—$6,022,000; 1977—$5,777,000.

On July 24, 1972, Dart issued $60,000,000 principal amount of 4¼% Subordinated Debentures, due July 15, 1997. These Debentures are exchangeable for shares of common stock of 3M Company on and after August 1, 1973 at the rate of 10.75 shares per $1,000 Debenture.

On August 17, 1972, Dart issued $20,000,000 principal amount of 4¾% Subordinated Debentures, due August 15, 1987, to purchasers outside the United States and Canada. These Debentures are exchangeable for shares of common stock of 3M Company on and after September 1, 1973 at the rate of 10.1 shares per $1,000 Debenture.

During 1971, Dart issued $60,000,000 principal amount of 7½% Sinking Fund Debentures, due April 1, 1996. Through the operation of a mandatory sinking fund, Dart is obligated to redeem $4,000,000 aggregate principal amount of these Debentures on April 1 in each of the years 1982 to 1995, inclusive, at 100% of the principal amount thereof, subject to credit (at the principal amount thereof), at Dart's option, for Debentures acquired or redeemed otherwise than through the operation of the sinking fund. In addition, Dart has the noncumulative option to redeem through the sinking fund an additional $4,000,000 aggregate principal amount of these Debentures in each such year at 100% of the principal amount thereof.

Under loan agreements with certain banks and insurance companies, $186,000,000 of the consolidated retained earnings at December 31, 1972 is not restricted as to payment of cash dividends. The agreements impose no restrictions on payment of stock dividends.

**Preferred Stock** Holders of the Series A $2 Cumulative Convertible Preferred Stock are entitled to receive $2 per share annual cash dividends, to one vote per share and, upon any voluntary liquidation, dissolution or winding up, to receive $50 per share plus accrued unpaid dividends. Each share of the Preferred Stock is convertible by the holder into Common Stock on a share for share basis appropriately adjusted for stock dividends in excess of 3% or for recapitalization. The Preferred Stock may be called for redemption at $55 per share plus accrued unpaid dividends.

**Stock options** 1,216,200 shares of Dart Common Stock are reserved for purchase by officers and employees under stockholder approved stock option plans. Options for 1,053,400 shares were exercised prior to 1972.

A summary of changes during 1972 follows:

| | *Options outstanding* | |
|---|---|---|
| | *Shares* | *Amount* |
| At beginning of year | 1,040,200 | $34,051,000 |
| Adjustment for stock dividend | 30,700 | |
| Options granted | 273,000 | 13,915,000 |
| Options exercised | (188,200) | (4,564,000) |
| Options canceled | (36,100) | (1,215,000) |
| At end of year | 1,119,600 | $42,187,000 |

At December 31, 1972, options for 282,300 shares of Common Stock were exercisable and 96,600 shares of Common Stock were available for grant.

**Commitments and contingencies** Minimum annual lease rentals payable, including $15,289,000 related to transportation and other short-life equipment, and sublease rentals receivable by Dart under other leases and subleases in effect at December 31, 1972 are as follows:

| | *Minimum annual rentals* | |
|---|---|---|
| | *Payable* | *Receivable* |
| Leases expiring in | | |
| 1973 - 1977 | $18,263,000 | $ 894,000 |
| 1978 - 1982 | 2,231,000 | 435,000 |
| 1983 - 1987 | 2,064,000 | 159,000 |
| 1988 - 1992 | 547,000 | 34,000 |
| after 1992 | 217,000 | |
| | $23,322,000 | $1,522,000 |

Some leases provide for rentals based upon a percentage of sales and many require additional payments for property taxes, insurance and maintenance. Provision has been made for estimated losses on properties no longer operated. Some of the leases entered into prior to 1965 contain purchase options. Information concerning certain capitalized leases is contained in a preceding Note.

Dart is a defendant in two civil class action suits, in which substantial damages are claimed, involving its Bear Valley Springs land development project and two other projects in which Dart has a minority interest. In addition, certain lawsuits have been filed against Dart relative to its other operations. In the opinion of management and legal counsel, the ultimate disposition of these actions will not have a materially adverse effect on Dart's financial position or results of operations.

**Capital expenditures** It is estimated that capital expenditures for 1973 will be about $80,000,000.

**Retirement plans** Dart and certain of its United States subsidiaries continued the contributory profit sharing retirement plan, the principal retirement plan, established in 1955 covering salaried employees with one or more years of employment with Dart. The aggregate Dart contribution in any year is based upon consolidated earnings before federal income taxes, is limited to six percent of the consolidated earnings as defined and cannot exceed the amount deductible for federal income tax purposes. The computations include net earnings of certain divisions whose employees do not participate in the Dart plan, but who participate in previously existing retirement plans which have been continued in effect. The contribution to be made under the Dart profit sharing plan amounted to $3,461,000 for 1972 and was $3,565,000 for 1971.

Dart and its subsidiaries have several pension plans covering substantially all of their employees not covered by Dart's profit sharing retirement plan, including certain employees in foreign countries. The total pension expense was $3,767,000 for 1972 and $3,095,000 for 1971 which includes, as applicable, amortization of prior service cost principally over a period of 40 years. Dart's policy is, generally, to contribute the pension cost accrued for funded plans and to create accounting reserves for unfunded plans. The actuarially computed value of vested benefits for all plans exceeded, as of December 31, 1972, the total of the pension funds and accruals by about $10,500,000.

**Incentive compensation** Under the formula incorporated in Dart's 1962 stockholder approved Incentive Compensation Plan for principal officers and key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 86 principal officers and key employees $1,071,000 ($1,094,000 for 1971) of the total of $3,218,000 available for 1972. No outside director participates in this plan.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Dart and certain special awards have been authorized for employees not participating in any plan. No principal officer or director participates in these plans or special awards. The above named committees awarded $4,216,000 ($3,920,000 for 1971) to 779 persons in these categories. The total amount available under the plans and inclusive of special awards was $6,764,000.

Excess amounts available but not awarded under all plans are not available for future awards.

**Earnings per share of Common Stock** Earnings per share of Common Stock and Common Stock equivalents are based on the weighted average number of shares of Common Stock outstanding during each period increased by the effect of dilutive stock options granted after May 31, 1969. Such increased average shares were 19,710,500 for 1972 and 19,418,800 for 1971. Net earnings attributable to Common Stock are after deducting Preferred dividend requirements.

Fully diluted earnings per share of Common Stock are based on the weighted average number of shares of Common Stock outstanding during each period, assumption of conversion of Series A $2 Cumulative Convertible Preferred Stock retroactive to the beginning of each year and assumption of exercise of all dilutive stock options retroactive to the beginning of each year, or later dates of grant, and purchase of treasury stock with the proceeds at the higher of yearend or average market prices. Such increased average shares were 22,763,600 for 1972 and 22,690,200 for 1971.

All per share amounts give retroactive effect to stock dividends paid.

**Changes in components of working capital**

| | *1972* | *1971* |
|---|---|---|
| Increase (decrease) in current assets | | |
| Cash and short term securities . . . | $32,485,000 | $47,115,000 |
| Accounts and notes receivable . . | 16,471,000 | 2,907,000 |
| Inventories . . . . . . | 14,328,000 | 3,085,000 |
| Other current assets . . . . . . . . . . | 5,807,000 | (1,483,000) |
| | 69,091,000 | 51,624,000 |
| Increase (decrease) in current liabilities | | |
| Accounts payable . | 4,537,000 | 1,477,000 |
| Accrued expenses . . . . . . . . | 15,430,000 | 6,849,000 |
| Short term commercial paper . | | (35,100,000) |
| Short term loans, foreign . . . . . . . . . . | 688,000 | (2,324,000) |
| Income taxes . . . . | 8,300,000 | (13,394,000) |
| Other current liabilities . . . . . . . . | 989,000 | 708,000 |
| | 29,944,000 | (41,784,000) |
| Working capital increase . . . . . . . . . . | $39,147,000 | $93,408,000 |

**Extraordinary items** The net extraordinary gain of $1,143,000 resulted from the following:

| | |
|---|---|
| Sale of 539,200 shares (after a 2-for-1 split) of 3M Company common stock . . . . . . . . . . . . . . . . . . . | $15,652,000 |
| Income tax provision . . . . . . . . . . . . . | 5,509,000 |
| | 10,143,000 |
| Provision for discontinuance, liquidation, disposition and consolidation of certain operations . . | 18,700,000 |
| Income tax benefit . . . . . . . . . . . . . . . | 9,700,000 |
| | 9,000,000 |
| | $ 1,143,000 |

The provision is related to the discontinuance, liquidation or sale of certain of the operations and stores of the Rexall Drug and Retail Group, including the Liggett agency division, and to the closing, liquidating or consolidating of certain other operations and plants.

DART INDUSTRIES INC. AND CONSOLIDATED SUBSIDIARIES

# Ten Year Financial Review

*(Dollar amounts in thousands except per share data; stock information relates to Common Stock, unless otherwise indicated)*

| **For the Year** | *1972* | *1971†* |
|---|---|---|
| Operations* | | |
| Net sales | 888,116 | 815,968 |
| Earnings before income taxes | 103,664 | 86,450 |
| Income taxes | 50,300 | 42,200 |
| Earnings before extraordinary items | 53,364 | 44,250 |
| Extraordinary items | 1,143 | |
| Preferred dividend requirements** | 5,916 | 5,919 |
| Net earnings applicable to Common Stock after Preferred dividend requirements | 48,591 | 38,331 |
| Per share of Common Stock | | |
| Including Common Stock equivalents | | |
| Earnings before extraordinary items | 2.41 | 1.97 |
| Net earnings | 2.47 | 1.97 |
| Fully diluted—after 1967*** | | |
| Earnings before extraordinary items | 2.34 | 1.95 |
| Cash dividends | .30 | .30 |
| Stock dividends | 3% | 3% |
| Cash dividends paid | | |
| Common Stock | 5,783 | 5,536 |
| Preferred Stock | 5,916 | 5,919 |
| Properties and other assets purchased—after 1966 | 69,373 | 53,080 |
| Depreciation and amortization | 34,279 | 31,471 |
| Cash flow **** | 92,886 | 81,501 |
| Cash flow per share | 4.71 | 4.20 |
| **At Yearend** | | |
| Working capital | 281,602 | 242,455 |
| Properties owned (net) | 300,372 | 273,375 |
| Total assets | 975,800 | 826,342 |
| Long term debt | 204,613 | 135,755 |
| Deferred income taxes | 51,500 | 47,400 |
| Stockholders' equity | 511,372 | 463,619 |
| Shares of stock outstanding | | |
| Common | 19,521,700 | 19,327,000 |
| Preferred (pro forma prior to 1966) | 2,957,100 | 2,959,700 |
| Stockholders | | |
| Common | 32,591 | 34,208 |
| Preferred (pro forma prior to 1966) | 5,396 | 5,856 |
| Employees (including Riker prior to 1970) | 28,124 | 27,408 |

*†Amounts for 1971 have been restated for poolings of interests in 1972.*

**Excluding Riker after 1965. Amounts for years after 1968 have been restated to reflect a change in the method of accounting for land development operations.*

***Pro forma for years prior to issuance of stock in mergers.*

****Computation of fully diluted earnings per share have been made only for years after 1967, in accordance with Accounting Principles Board Opinion 15.*

*****Net earnings, plus depreciation and amortization and provision for deferred income taxes.*

| *1970* | *1969* | *1968* | *1967* | *1966* | *1965* | *1964* | *1963* |
|---|---|---|---|---|---|---|---|
| 706,263 | 666,543 | 602,250 | 566,883 | 527,315 | 526,773 | 446,654 | 401,424 |
| 77,711 | 83,202 | 63,659 | 54,602 | 44,317 | 65,816 | 49,995 | 39,362 |
| 38,233 | 42,650 | 31,611 | 23,527 | 17,596 | 28,420 | 22,027 | 19,658 |
| 39,478 | 44,842 | 37,116 | 35,405 | 30,635 | 37,396 | 27,968 | 19,704 |
| 52,445 |  | 294 |  |  |  | 1,845 |  |
| 5,920 | 5,910 | 5,945 | 5,914 | 5,859 | 5,897 | 5,466 | 5,393 |
| 86,003 | 38,932 | 31,465 | 29,491 | 24,776 | 31,499 | 24,347 | 14,311 |
| 1.76 | 2.08 | 1.71 | 1.64 | 1.39 | 1.77 | 1.34 | .86 |
| 4.50 | 2.08 | 1.72 | 1.64 | 1.39 | 1.77 | 1.45 | .86 |
| 1.74 | 2.01 | 1.67 |  |  |  |  |  |
| .30 | .30 | .30 | .30 | .30 | .30 | .26¼ | .25 |
| 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| 5,273 | 5,036 | 4,341 | 3,929 | 3,670 | 3,095 | 2,528 | 2,318 |
| 5,920 | 5,910 | 5,655 | 5,334 | 2,640 |  |  |  |
| 58,271 | 65,122 | 35,097 | 42,497 |  |  |  |  |
| 27,740 | 25,446 | 23,627 | 22,196 | 20,106 | 16,851 | 14,270 | 12,585 |
| 137,566 | 74,085 | 65,108 | 60,621 | 55,028 | 56,185 | 44,609 | 36,395 |
| 7.20 | 3.96 | 3.56 | 3.37 | 3.09 | 3.16 | 2.66 | 2.20 |
| 148,554 | 172,654 | 174,439 | 153,225 | 144,463 | 141,662 | 133,293 | 124,128 |
| 258,756 | 241,416 | 207,735 | 197,365 | 181,616 | 164,927 | 122,043 | 104,501 |
| 737,895 | 603,275 | 536,079 | 495,024 | 456,025 | 418,934 | 355,331 | 317,356 |
| 75,307 | 75,315 | 82,375 | 84,702 | 88,188 | 89,255 | 81,607 | 84,276 |
| 41,600 | 23,697 | 19,900 | 17,300 | 15,742 | 12,640 | 11,112 | 10,777 |
| 428,251 | 345,727 | 306,902 | 276,597 | 250,569 | 230,231 | 187,957 | 162,735 |
| 19,093,100 | 18,828,800 | 18,392,500 | 18,065,200 | 17,856,300 | 17,875,500 | 16,804,200 | 16,579,300 |
| 2,959,800 | 2,956,300 | 2,976,800 | 2,957,400 | 2,930,300 | 2,961,400 | 2,734,300 | 2,699,700 |
| 35,507 | 34,396 | 35,144 | 33,903 | 32,370 | 26,769 | 23,262 | 22,217 |
| 6,030 | 5,934 | 5,947 | 5,204 | 4,691 | 4,770 | 4,450 | 4,878 |
| 26,894 | 29,381 | 28,106 | 27,699 | 28,346 | 25,488 | 20,889 | 19,400 |

*Net earnings per share of Common Stock including Common Stock equivalents for years after 1968 are based upon the weighted average number of shares of Common Stock outstanding during the year increased by the effect of dilutive stock options granted after May 31, 1969. Net earnings per share for years prior to 1969 are based upon the weighted average number of shares of Common Stock outstanding. The shares of Common Stock outstanding and net earnings per share for 1971 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.*

*Fully diluted earnings per share before extraordinary items are based on the weighted average number of shares of Common Stock outstanding during each period, assumption of conversion of Series A $2 Cumulative Convertible Preferred Stock retroactive to the beginning of the year for 1969, 1971 and 1972, and assumption of exercise of all dilutive stock options retroactive to the beginning of each year or later dates of grant and purchase of treasury stock with the proceeds at the higher of yearend or average market prices.*

# Board of Directors

Curtis Barkes, *Director and Chairman of the Finance and Audit Committee, UAL, Inc.*

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Ernest R. Breech, *Industrialist; Director of Lehman Corporation and One William Street Fund, Inc.; formerly Chairman, Ford Motor Company; Honorary Chairman Emeritus, Trans World Airlines, Inc., and member of The Business Council*

Donald H. Brewer, *Senior Vice President and Chief Executive for Corporate Staff operations*

John C. Cornelius, *Director and Member of the Executive Committees of Investors Mutual, Inc., Investors Stock Fund Inc., and Affiliated Funds, Minneapolis; retired Executive Vice President, now Senior Consultant to BBDO advertising agency; former President, The American Heritage Foundation*

George J. Daly, *Executive Vice President, Finance and Administration; Chief Executive Officer, Land Development Group*

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William T. Gossett, *Partner, Dykema, Gossett, Spencer, Goodnow & Trigg, Attorneys, Detroit, Michigan; Past President, American Bar Association; Director of One William Street Fund, Inc.; Chairman, Executive Committee, Twentieth Century-Fox Film Corporation*

Alfred M. Gruenther, *General, United States Army (Retired); Former President, American Red Cross; Director of Federated Department Stores, Inc., Institute for Defense Analysis and New York Life Insurance Company; member of The Business Council*

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Franklin B. Pollock, *Vice Chairman of the Board of Directors; Chairman, Glass Containers Group*

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Jacob W. Stutzman, M.D., *President of Riker Laboratories Inc., a subsidiary of The 3M Company*

Holmes Tuttle, *President and Director of Holmes Tuttle Enterprises; Director of Trans World Airlines, Inc., Community Bank, Los Angeles, and Challenge-Cook Bros., Inc., Los Angeles*

Hamer F. Wilson, *Executive Vice President; Chairman and Chief Executive Officer, Direct Selling Group*

Ralph Wilson, Jr., *President of Architectural Products Division, Plastics Group*

R. D. Ziegler, *President, The Ziegler Company, Inc.*

# Officers and Committees

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Ernest R. Breech
William T. Gossett
Alfred M. Gruenther
Holmes Tuttle
Dale Reis, *Secretary*

**Audit Committee**

Ernest R. Breech, *Chairman*
Alfred M. Gruenther
Holmes Tuttle

**Stock Option and Incentive Compensation Committee**

Ernest R. Breech, *Chairman*
Justin Dart
William T. Gossett
Alfred M. Gruenther

**Executive Personnel Committee**

Alfred M. Gruenther, *Chairman*
Ernest R. Breech
John C. Cornelius

**Officers**

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Franklin B. Pollock, *Vice Chairman*
George J. Daly, *Executive Vice President*
Hamer F. Wilson, *Executive Vice President*
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Norbert Baillen, *Vice President*
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William R. Palmer, *Vice President and Controller*
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Norman Wicks, *Vice President*
Edgar Thedens, *Secretary*

**Honorary Directors**

Michael E. Kulik
James E. Shelton
Mel M. Wilson

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**Transfer Agents**

Morgan Guaranty Trust Company of New York, N.Y.
State Street Bank and Trust Company, Boston, Mass.
Bank of America National Trust and Savings Association, Los Angeles, Calif.

**Registrars**

The Chase Manhattan Bank, New York, N.Y.
The National Shawmut Bank of Boston, Boston, Mass.
United California Bank, Los Angeles, Calif.

**Independent Accountants**

Price Waterhouse & Co.

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P. O. Box 3157 Terminal Annex
Los Angeles, California 90051

Dart Industries Inc. Annual Report 1972